2009 ANNUAL REPORT

BUILDING OUR FUTURE

AlbertaCentral
Credit Union Central Alberta Limited

We are always focused on doing our very best to meet the service needs of credit unions so that they continue to succeed in a competitive and dynamic marketplace.

Graham Wetter, President & CEO, Alberta Central

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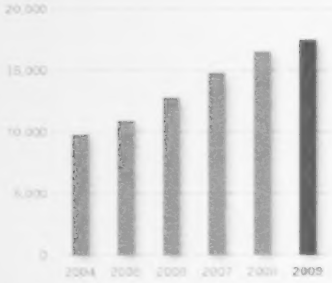
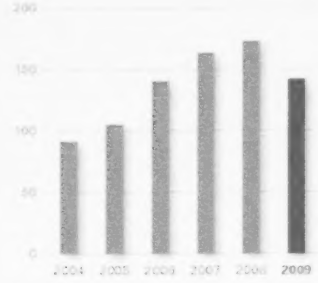
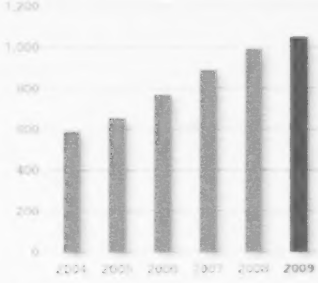
ALBERTA CREDIT UNION SYSTEM HIGHLIGHTS



($ millions)
ASSETS

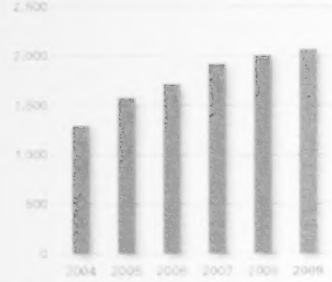


($ millions)
EARNINGS

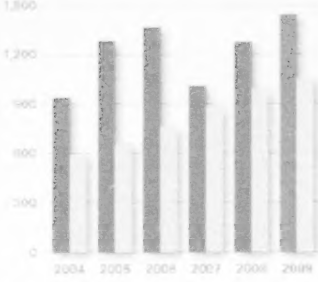


($ millions)
EQUITY

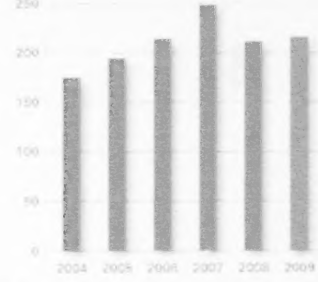
ALBERTA CENTRAL HIGHLIGHTS



($ millions)
ASSETS



($ millions)
OPERATING LIQUIDITY
ACTUAL
REQUIRED



($ millions)
MEMBERS' EQUITY

I believe that we are as strong as we are today because our system has been built on prudent financial management, good business practices and effective governance processes.

MESSAGE FROM THE CHAIR

G. Penny Reeves
Chair of the Board

As I look back over the past six years I have spent as Alberta Central's Board Chair I am amazed at the economic change we have witnessed over the course of this period. Early in the decade we saw a vibrant Alberta economy providing unprecedented opportunities for profit and growth. In the last year, we have seen an economy under distress, with tremendous uncertainty and turmoil. But, despite this changing economic environment, I am proud to be able to report that the Alberta credit union system remains resilient, with strong financial results, and with a growing deposit base, sound portfolio of loans to Albertans, and healthy capitalizations levels.

I believe that we are as strong as we are today because our system has been built on prudent financial management, good business practices and effective governance processes. It is also largely due to the fact that credit unions are constantly looking for new ways to maximize their capacities and strengths. As a key provider of products and services to Alberta's credit unions, we at Alberta Central are also constantly exploring ways that we can enhance the value we provide to our credit unions.

Over the past couple of years, the Board and management of Alberta Central have been working collectively with SaskCentral and Credit Union Central of Manitoba, as well as Concentra Financial, to realize the benefits that a single central and its subsidiaries would provide for our credit unions. In September 2009, the centrals presented a Business Strategy for a new merged central to prairie credit unions. Alberta Central, along with the other centrals also conducted a consultation process to allow credit unions the opportunity to provide input and register their level of support for the merger. Overall, the Business Strategy received strong support from prairie credit unions. In 2010, the three centrals will be moving forward with implementation plans and developing a merger agreement for a formal merger vote.

This marks my ninth, and unfortunately, final year on Alberta Central's Board, and therefore, this will be my last annual report as Chair. I would like to take this

On behalf of the Board, I would also like to recognize the employees at Central for their commitment to our mission, values and strategies, as they help our credit unions prepare for the future.

opportunity to acknowledge the hard work and commitment of my fellow Board members and to thank them for their wise counsel and support over the past year, as well as over the entirety of my term. I feel very grateful to have been surrounded by such a gifted and supportive group of individuals.

On behalf of the Board, I would also like to recognize the employees at Central for their commitment to our mission, values and strategies, as they help our credit unions prepare for the future. It has been my pleasure to be a part of an organization dedicated to contributing to the success and growth of credit unions in Alberta.

G. Penny Reeves
Chair of the Board

MESSAGE FROM THE PRESIDENT

Graham Wetter
President & CEO, Alberta Central

The troubled economy and the lowest interest rates in Canada's history provided a challenging environment for all financial institutions, including Central, last year. In 2009, Alberta Central recorded earnings of $9.2 million before income taxes from continuing operations, which exceeded budget expectations. Central's closely matched balance sheet, effective management of costs, and some positive events in the latter half of the year were the main contributors to these results. This included better-than-expected operating results from Celero Solutions and Everlink, which had a positive impact of $2.3 million to budget for Central, and the sale of our shares in CUMIS, which resulted in a gain of $1.9 million. Central also had some positive developments with respect to its asset-backed commercial paper holdings. Central collected principal and interest payments on some of the notes this past year, and in November holdings of one class of note with a face value of $1.1 million and a nil fair value were sold for sale proceeds of 75% of the original face value, resulting in a gain on sale of $0.8 million.

Central's success is also measured by our progress on key strategic initiatives. In 2009, Central advanced many initiatives in order to position Alberta credit unions, Central and its joint ventures for future growth and long-term success.

Prairie Central

2009 was an important year for the Prairie Central initiative as the three centrals and Concentra Financial completed a Business Strategy for the merger of the centrals in Alberta, Saskatchewan and Manitoba. This was a significant milestone for a project of this size and scope.

In September the Business Strategy was released to system stakeholders in each province. Upon release of the document, the centrals underwent extensive consultation processes in their respective provinces to gather feedback and gain input from their members. Credit unions were very engaged in this process, and we were extremely pleased with the level of support that was received from Alberta and other credit unions.

The centrals are now working towards developing a legal merger agreement, with the hopes of finalizing the document in the first half of 2010 for approval by credit unions. Implementation planning has already begun, with an effective date targeted for 2011.

Liquidity Management

In order to further strengthen its capabilities as liquidity manager, Alberta Central continued to enhance reporting and monitoring processes to better track large cash flows within the credit union system. This work also involved strengthening Central's liquidity forecasting and scenario analysis processes, and reviewing the adequacy of current liquidity arrangements in the credit union system. In 2009 Central also implemented a change in its methodology for establishing credit union loan limits to better align with liquidity trends and Central funding capacities.

While Central continues to work with credit unions to enhance liquidity management processes, it is important to note that its current liquidity framework has successfully supported credit unions through the international liquidity distress of 2008 and 2009 without any form of external intervention or support. Throughout this period, satisfactory liquidity levels were maintained by Alberta Central and the Alberta credit union system.

Inter-Credit Union Branch Services

In 2009 Central began working with credit unions to obtain commitment to launch a pilot project for a province-wide inter-credit union banking program that will enhance accessibility and convenience for credit union members across Alberta. This is an initiative that has been long desired by many in our system to match the connected branch service capabilities of banks and ATB. By the end of the year we secured the commitment of a sufficient number of credit unions to proceed with a proof of concept pilot in 2010. Work plans have also been put in place to address training and procedural elements necessary to support the initiative. The year 2010 will be an important year for this project as pilot credit unions test and perfect these services in southern Alberta to enable a broader system launch.

eroWORKS®

The second year of Celero's eroWORKS® Retail Banking System implementations under Project Meta was completed in 2009. This project is the largest technology project ever undertaken in the credit union system in Canada. Throughout the year, 40 implementations were completed across the Prairies, including 7 in Alberta. In total, 71 credit unions across Alberta, Saskatchewan and Manitoba have converted to eroWORKS® as part of Meta. Celero helped support these credit unions with the new banking platform by implementing several post-conversion improvement programs to enhance credit union support in transitioning to eroWORKS® and to better assist credit unions in taking advantage of the functionality of the new banking system.

IFRS

In 2011, the accounting framework under which financial statements in Canada are prepared for all publicly accountable enterprises will change to International Financial Reporting Standards (IFRS). The move to International Financial Reporting Standards continued to be on the forefront of Central's activities in 2009. Central is playing a key role in supporting a successful transition to IFRS throughout the Alberta credit union system, and this year various webinars, training sessions and toolkits were provided to assist credit unions in this process.

The coming year will continue to require a considerable amount of effort to execute the changes which need to take place for Alberta Central and its joint ventures and to develop the information and tools necessary to support credit unions in converting to this standard. These changes will require

cross-functional organization-wide teamwork to ensure Alberta Central and its joint ventures are fully compliant at various key conversion milestone dates leading up to the 2011 mandate.

TILMA

Last year the Government of Alberta announced that a decision on whether to implement the *Trade, Investment and Labour Mobility Agreement* (TILMA) allowing for free trade in financial services between Alberta and British Columbia would be postponed until April 2010 as a result of uncertainty about the constitutionality of the Province permitting interprovincial credit union operations. In order to assist in resolution of this implementation issue, Alberta Central has been working with a leading constitutional lawyer and the Government of Alberta to develop a legislative solution which would enable credit unions to operate between Alberta and B.C. in a constitutionally sound manner.

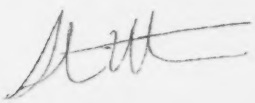
Employee Engagement

At Alberta Central, we know our people are the driving force behind the service quality and innovation that we provide to our credit union members. To further enhance the commitment to our people and the overall success of our operations, employee engagement initiatives remain an important area of focus for Central.

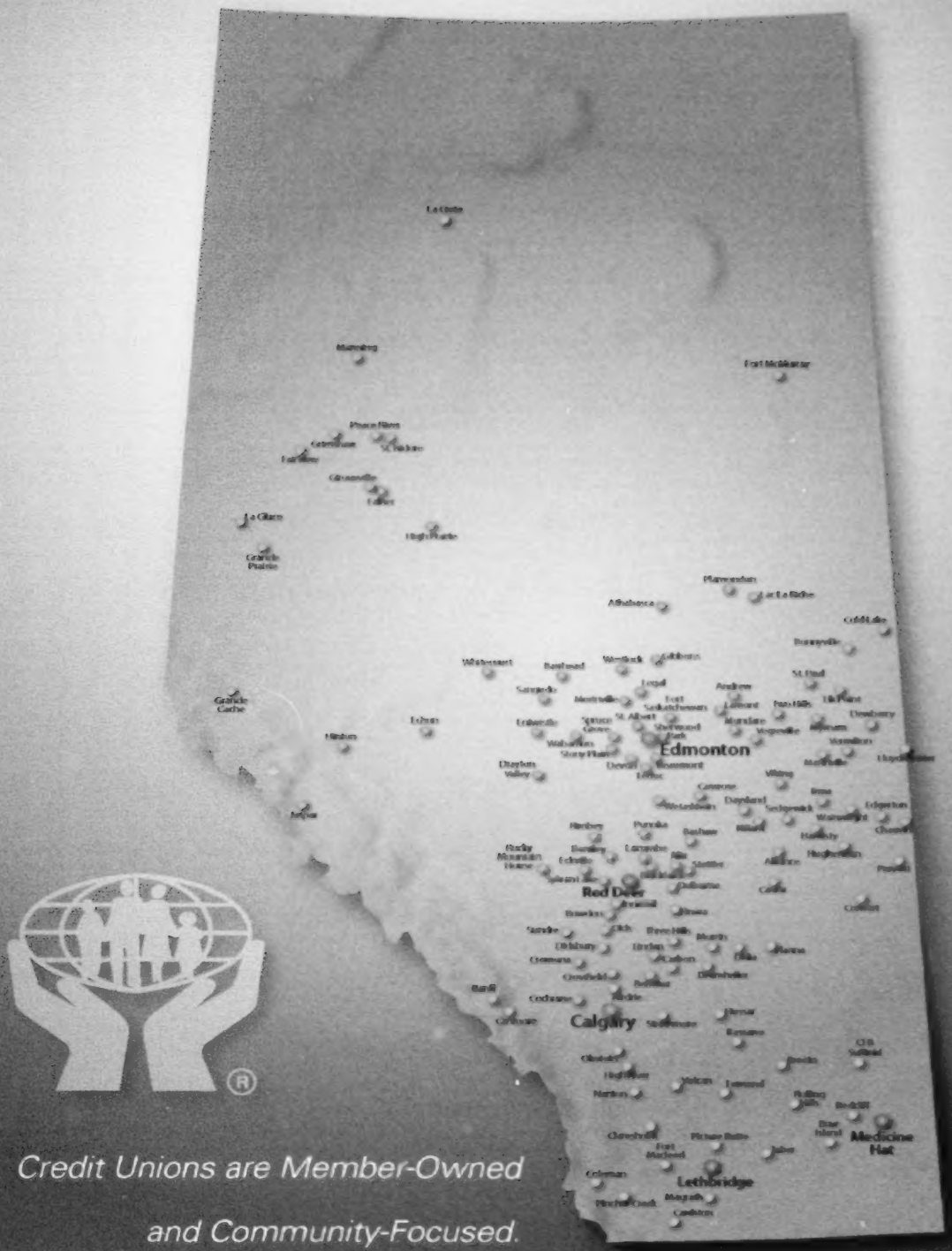
Over the past two years, we have placed an emphasis on leadership and engagement, and I am pleased to report that our employee ratings are now above North American industry benchmark levels on both of these measures as well as a number of others. To make Central an even better place to work, we are concentrating on further developing strong leadership and direction for our organization, making greater efforts to share information on our plans and strategies, the state of our business operations, and to strengthen our culture of performance. Our goal going forward will be to continue to focus on positive change and the steps we need to take to progress as an organization in these areas.

2010 will be another dynamic year for Alberta Central as we continue to be tested by the economy and remain focused on some extremely important initiatives for Central and the system. Next year, no project will be a higher priority for Alberta Central than completing the implementation plans for the Prairie Central merger. The merger is important to ensure our member credit unions receive the financial support, products and services they need to be market-competitive today and for many years to come. Also in the plans for 2010 is Alberta Central's own conversion to the new eroWORKS® system as well as the final work towards implementing IFRS, furthering enhancements to liquidity and risk management programs, and continuing government relations strategies to address system issues, to name just a few.

Central is a busy place, and we are always focused on doing our very best to meet the service needs of credit unions so that they continue to succeed in a competitive and dynamic marketplace.



Graham Wetter
President & CEO, Alberta Central



Credit Unions are Member-Owned

and Community-Focused.

Greg Feniak
Assistant Vice President, Relationship Management & Sales, CUPS

ABOUT THE CREDIT UNION SYSTEM

Credit Unions are Member-Owned and Community-Focused

- Credit unions are full-service financial institutions offering a competitive range of financial products and services to consumers, small and medium businesses and agribusinesses.
- Every credit union member is both a customer and shareholder/owner who participates in electing their credit union's board of directors and shares in the profits earned through share or patronage dividends.
- Credit unions share a common vision of working together to make our communities better places to live.

Member-Owned Credit Unions in Alberta Today

- The Alberta credit union system has nearly $17.5 billion in assets.
- 41 independent Alberta credit unions serve more than 100 communities in the province.
- Over 715,000 Albertans are credit union members.
- Approximately 3,300 Albertans are employed full-time by credit unions and their affiliates.
- Credit unions returned more than $61 million in dividends to Alberta members in 2009.
- Alberta credit unions provide a province-wide network of 256 ATMs and online banking.

The Alberta Credit Union System is Community-Focused

Alberta credit unions are not only trusted financial institutions for Albertans, but are also active participants in the community. Credit unions across the province share a common vision of working together to make Alberta's communities better places to live. Year after year, the Alberta credit union system and its employees demonstrate they care about their communities by donating generous amounts of time and money to local causes and associations. The following are just some of the examples of how credit unions, Alberta Central and their staff are making a difference in their communities today.

Across Alberta – Heart Alert Project

This past year was the beginning of a three-year commitment by Alberta Central on behalf of Alberta's credit unions to the Heart Alert project at the Libin Cardiovascular Institute of Alberta. The Heart Alert project provides life-saving intervention for hundreds of rural heart patients in Alberta by guaranteeing quicker access to life-saving care and interventions.

With heart patients, every second counts and, unfortunately, rural patients are at a disadvantage due to delays in accessing centralized treatment and specialized health care providers. Thankfully, Alberta credit unions can help. Through the contributions made by Alberta Central, the Libin Cardiovascular Institute will be able to implement new digital technology to connect rural heart patients to caregivers more rapidly, thereby increasing the chance of survival after a cardiac attack.

The program helps to equip EMS vehicles with the technology required to digitally transmit electrocardiograms and other clinical information that cardiologists and emergency department physicians need to diagnose and treat patients. By transmitting this information instantaneously to a hospital, physicians are able to provide a diagnosis quickly to the medical attendant on-site. A treatment can then be administered immediately, before the patient passes through the emergency room doors. This can mean the difference between life and death for a rural patient.

Through Alberta Central's support, 111 EMS vehicles at 31 hospitals will be equipped with the digital equipment required to treat rural patients more rapidly.

Servus Credit Union – Feel Good Ripple

By asking their members, in the spirit of community, to make someone's day, Servus Credit Union is educating its members about the power of the community, and creating more harmonious communities by connecting with people in a positive way.

This past year, on Credit Union Day, Servus Credit Union introduced its "Feel Good Ripple" initiative. Servus locations distributed $200,000 to individuals in 10 dollar increments, and recipients were asked to use the money to do something nice for someone else—whether helping a stranger carry groceries to their car, giving a calling card to someone far from home, or volunteering to walk dogs for an animal shelter—and thereby creating a ripple effect of good deeds.

Individuals are being encouraged to share their feel good stories on a special website (www.FeelGoodRipple.ca) and inspire others to do good deeds. So far, approximately 1,000 feel good deeds have been described online and more than 9,000 members signed the in-branch Feel Good Ripple pledge wall.

Even though the initial $200,000 has been distributed, Servus Credit Union continues to hand out Feel Good Ripple Cards at their branches. The cards explain the Feel Good Ripple movement and encourage the holder to make someone's day. The cards are intended to pass from hand to hand to keep the Feel Good Ripple going.

Wetaskiwin Credit Union – Short Cut to the Cure

Wetaskiwin Credit Union is a proud supporter of Short Cut to the Cure. Short Cut to the Cure is a community-wide initiative that began in Wetaskiwin, Alberta, inspired by a young boy named Brendan O'Callaghan, who battled leukemia.

Annually, a head shaving fundraiser is held to raise money for the Positron Emission Tomography (P.E.T) Imaging Centre at the Cross Cancer Institute and the Alberta Cancer Foundation. Since its launch, over 1,100 people have had their heads shaved and Wetaskiwin Credit Union's General Manager showed his support this year by shaving his head too.

To date, the event has raised over $600,000, which is matched with various government grants. In 2009 alone the event raised $60,000.

Today, Brendan is a healthy 14-year old cancer survivor, and Short Cut to the Cure is entering its thirteenth year.

Chinook Credit Union – Relay for Life

The Canadian Cancer Society Relay for Life is more than just a fundraiser at Chinook Credit Union. It's an opportunity to get together with family and friends and celebrate cancer survivors, remember loved ones lost to cancer, and fight back in the hope of finding a cure for this terrible disease.

Chinook Credit Union began to support Relay for Life events in the Strathmore and Drumheller communities since it was first initiated. In the 2009 Canadian Cancer Society Relay for Life, Chinook staff collectively totaled 13 teams from Drumheller, Strathmore, Brooks, Hussar, Bassano and Hanna, and raised a combined total of nearly $73,000.

Staff members from all of the Chinook Credit Union branches have done everything from participating on relay teams, to serving on committees, to volunteering for the events. The members also get involved and display a great deal of support to help staff achieve their goals. Everyone is very proud of their contribution to this very important cause.

1st Choice Savings · BEAUMONT · Bow Valley · Chinook Credit Union Ltd. · Eckville District Savings & Credit Union

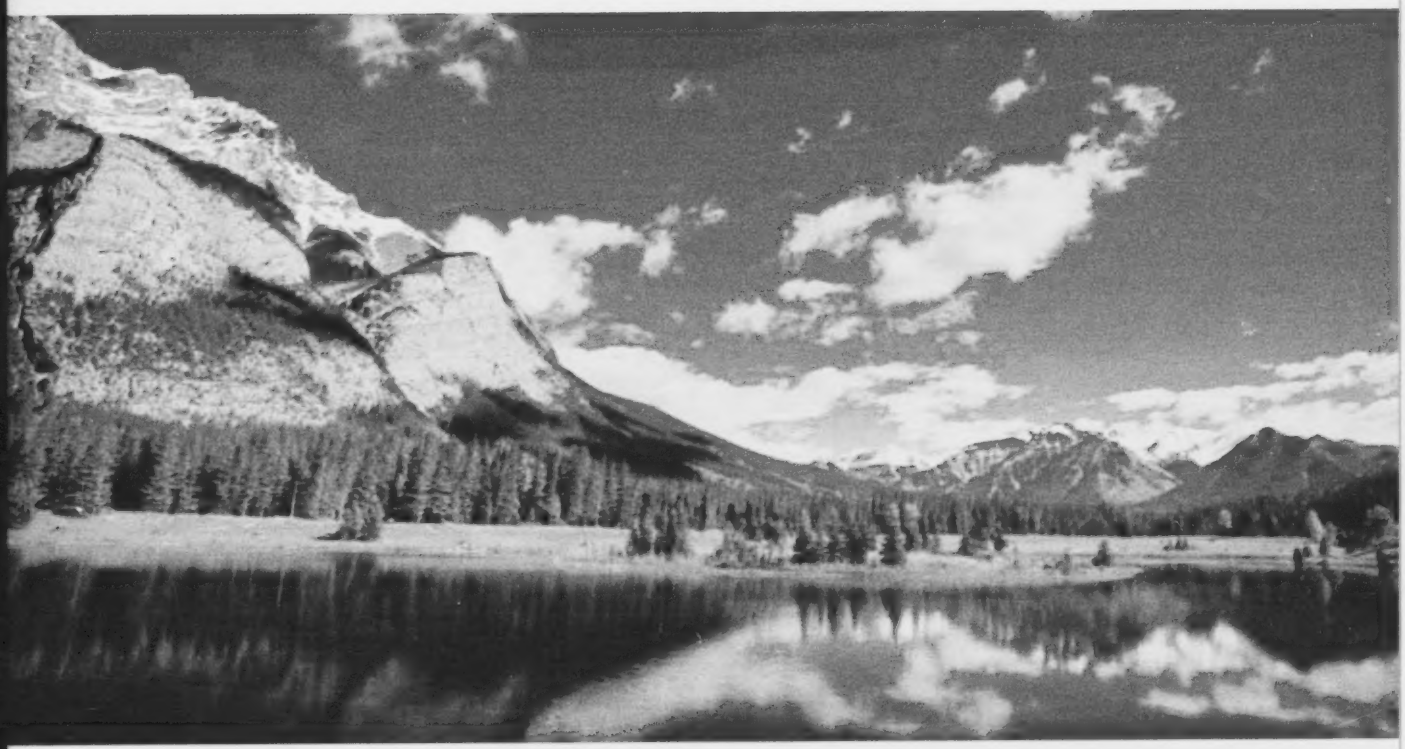
Edson Credit Union · First Calgary · Horizon Credit Union · Inglewood Savings & Credit Union Ltd. · KEY savings credit union

Lakeland Credit Union · MSCU Macleod Savings · Mountain View Credit Union Ltd. · Rocky Credit Union

Rolling Hills Savings & Credit Union Ltd. · servus credit union · Vermilion Credit Union Ltd. · Wetaskiwin Credit Union Limited

Closed bond credit unions: Calgary Police Credit Union Ltd., Canada Safeway Limited Employees Savings & Credit Union Ltd., CHEC Credit Union Ltd., Christian Credit Union, City Plus Credit Union Ltd., Industrial Savings & Credit Union Ltd., Khalsa Credit Union (Alberta) Ltd., Legacy Savings & Credit Union Ltd., Lethbridge Legion Savings & Credit Union Ltd., Pegasus Savings & Credit Union Ltd., River City Credit Union Ltd., Royglenor Savings & Credit Union Ltd., S.G.E. Savings & Credit Union Ltd., Shell Employees' Credit Union Ltd., Stanco Credit Union Ltd., Strathmore Credit Union Ltd.,TransCanada Credit Union Ltd., University Hospitals Staff Credit Union Ltd. Closed bond credit unions serve specific employees or groups, such as employees of a particular company, church or profession.

Our mission is to support credit unions in meeting the expectations of members through the leadership and excellence of our people, products and services.



ABOUT ALBERTA CENTRAL

At Alberta Central our goal is to be a key strategic partner for Alberta credit unions. Through our commitment to service and with the help of our dedicated employees, we are helping our credit unions meet the expectations of their members. We continue to work side by side with our credit unions, with a single goal in mind: to help our system grow, prosper and achieve financial success.

Core Strategies

Central has three core strategies in achieving its mission of supporting credit unions:

- Deliver services that support credit union system development
- Achieve strong and stable financial results
- Have the organizational culture and staff to achieve its mission

Alberta Central's Services:

Lending
- credit union loan program
- commercial loan syndication program
- mortgage pooling
- agricultural, commercial, residential and consumer lending support
- development and marketing of operational manuals
- liaison for provincial and national lending committees, legislation and task forces

Treasury
- liquidity and investment management
- foreign exchange
- derivative strategy
- asset liability management

Risk Management
- system representation on national and industry committees
- management of system fraud awareness and loss prevention training
- master policy holder for master bond program
- risk management support for the system

Audit
- auditing support for the system
- internal audit services

Central Purchasing
- environmentally-focused local and national product sourcing and procurement
- inventory management and distribution
- banking, promotional and service award products
- discount programs
- direct mail services

Government Relations/Strategic Planning/ Communications
- facilitation of system strategic planning and decision making
- provincial and federal government relations support and advocacy
- system representation on national and industry committees and affiliate organizations
- management of system communication programs

CUPS Payment Services
- image-based cheque and deposit processing services
- remittance and lockbox processing
- paper and electronic lead bank processing
- electronic bill payment processing
- paper and electronic statement processing services
- integrated document imaging and records management services
- customer automated funds transfer (CAFT) and automated funds transfer (AFT)
- wire transfer payments
- ATM/POS settlement and reconciliation
- distribution and mailroom services
- cash processing services

Financial Reporting and Control – Celero Solutions
(left to right) Kirk Hennel, Deb Weninger and James Hanscomb

Financial Reporting and Control, Alberta Central and CUPS Payment Services
(left to right) Debbie Palmer, Ginny Althoff, Lori Wormington, Jenny Yong, Marika Alarcio, Leslie Wakelin, Jennifer Kolesar-Lafaut and Josh Bloos.

Celero Solutions

Celero offers a complete line of banking solutions and information technology services under its two product suites: eroWORKS® and eroSERVE®.

Celero's eroWORKS® product suite includes:

- eroWORKS® Retail Banking core platform
- asset liability management
- loans participation module
- customer relationship management (cView)
- digital report view and archive (e-Report and e-Retrieval)
- safety deposit box
- optimize training, reporting and consulting
- hot card services

Celero's eroSERVE® complete business and financial technology services include:

- Internet banking, powered by *MemberDirect*® Services, including mobile services telephone banking
- loans origination system
- switch transaction services
- risk management tools, such as anti-money laundering and fraud detection, disaster recovery, monitoring and intrusion prevention
- application and hosting services
- applications integration
- messaging, including e-mail and smart phone (BlackBerry®) services
- network services including Local (LANS), Wide Area (WANS), Metropolitan Area (MANs), and Virtual Private (VPN) network solutions and Internet Service Provider (ISP) services
- network application trouble detection and analysis services
- custom product and application development
- high-availability infrastructure and data centres managed by IBM
- desktop computing
- business solutions consulting
- client care services
- member support services, delivered by Sonoma Technical Support

Alberta Central Affiliates:

Partners

Credit Union Central of Manitoba
Employees: 104
Assets: $2.36 billion
Owners: 44 Manitoba Credit Unions
System Assets: $15.9 billion

SaskCentral
Employees: 130
Assets: $5.4 billion (consolidated)
Owners: 65 Saskatchewan Credit Unions
System Assets: $13.5 billion

Joint Ventures

Celero Solutions
Employees: 330
Clients: Over 150
Annual Operating Budget:
Approximately $65 million
Owners: Alberta Central, Credit Union Central of Manitoba, SaskCentral, Concentra Financial

CUPS Payment Services
Employees: 156
Clients: Over 160 credit unions, corporations and other financial institutions
Transactions Processed: 149 million annually
Owners: Alberta Central, SaskCentral

Investments

Credit Union Central of Canada (Canadian Central)
Employees: 50
Net Investment Income (after tax): $903,000
Net Trade Division Assessment: $9.1 million
Owners: Provincial Centrals and Other Partners

Concentra Financial
Employees: 321
Assets Under Administration: $24.4 billion
Corporate Assets: $3.7 billion
Owners: Provincial Centrals, Credit Unions, CUMIS, The Co-operators

Credential Financial Inc.
Employees: 220
Credit Union Partners: 244 across Canada
Assets Under Administration: $10.3 billion
Owners: Provincial Centrals (50%), CUMIS (50%)

Northwest & Ethical Investments L.P.
Employees: 90
Assets Under Management: $4.5 billion
Owners: Provincial Centrals (50%), Desjardins Group (50%)

CORPORATE GOVERNANCE AT ALBERTA CENTRAL

Alberta Central is committed to practicing good governance.

Board of Directors

Alberta Central's Board is comprised of thirteen Directors who meet seven times per year. Central Directors, who are elected for three-year terms, represent four credit union regions. Regions are determined by geography, assets and membership size. Two of the regions are determined geographically (North and South Regions). The other two regions are comprised of the two largest credit unions in Alberta (Servus Credit Union and First Calgary Savings).

REGION	CREDIT UNIONS		DIRECTOR ENTITLEMENT
A	Servus Credit Union		**5**
B	First Calgary Savings & Credit Union		**2**
North	Battle River	Rocky	**3**
	Beaumont	Royglenor	
	Christian	S.G.E.	
	Eckville	Strathfiner	
	Edson	University Hospital	
	Horizon	Vermilion	
	Industrial	Wainwright	
	Lakeland	Wetaskiwin	
	River City		
South	1st Choice	Legacy Savings	**3**
	Bow Valley	Lethbridge Legion	
	Calgary Police	Macleod	
	Canada Safeway	Mountain View	
	CHEC	Pegasus	
	Chinook	Pincher Creek	
	City Plus	Rolling Hills	
	Inglewood	Shell	
	Key	Stanco	
	Khalsa	Transcanada	

Director Roles & Responsibilities

The Board of Directors, representing Alberta credit union members, is responsible for overseeing the management of Alberta Central, providing recommendations and approval of strategic plans and ensuring the interests of Central and the credit union system are represented. The role and responsibilities of Alberta Central's Board and the President & CEO are clearly outlined in Central's corporate policies, bylaws and terms of reference for each Board standing committee.

Board Committees

Central's Board has standing committees that are responsible for both legislated and delegated functions. The committees are comprised of Central Directors, and as ex-officio members, Central management. Each committee meets regularly throughout the year and is required to provide timely and regular reports to the Board of Directors.

The Chair of the Alberta Central's Board is also the Chair of the Executive Committee. For the remaining committees, the Chairs are elected by the Directors of the respective committees.

Executive Committee

The Executive Committee is comprised of the four table officers of the Board of Directors (Chair, First Vice-Chair, Second Vice-Chair and Secretary) and the past Chair or other person elected to fill the fifth position on the committee. The Executive Committee is responsible for appointing Directors to the remainder of the committees. In making these appointments, the committee takes into consideration the relevant background and expertise of board members, the expressed interest and development needs of board members, and the need for a diversity of experience on the committees. The Executive Committee also manages the performance review process and compensation of the President & CEO on an annual basis.

Credit Committee

The Credit Committee is comprised of four Directors. The committee has oversight responsibility for Alberta Central's lending activities in accordance with Central's *Lending Policy*. This includes reviewing and recommending to the Board of Directors changes to the policy, monitoring performance against the policy, and approving loans that exceed management limits.

Governance Committee

The Governance Committee is comprised of four Directors. The committee has oversight responsibility for Alberta Central's corporate policies and governance practices. Every two years, the committee ensures that Board standing committees' terms of reference, Central's Board remuneration policy and Central's other corporate policies are reviewed and updated as required. The Governance Committee also ensures that a board self assessment process is conducted every two years in order to maximize the effective functioning and performance of the Board, and is responsible for making recommendations to the Board to address any issues identified through the self assessment process.

Audit & Finance Committee

The Audit & Finance Committee is comprised of four Directors. The committee has oversight and responsibility for corporate policies related to audit and risk management, and also for the investment and financial policies of Alberta Central, namely the *Investment Policy* and *Enterprise Risk Governing Policy*. The committee meets directly with and reviews reports prepared by the internal auditor and external auditors (as required), and ensures compliance with Central's bylaws and financial policies. The committee is also responsible for reviewing and approving the internal audit mandate and annual audit plan, as well as Central's financial, risk management and treasury reports, and the annual budget.

Conduct Review Committee

The Conduct Review Committee is comprised of the same four Directors as the Audit & Finance Committee, and the Chair of the committee is the same as that of the Audit & Finance Committee. To ensure compliance with the requirements of the *Cooperative Credit Associations Act* with respect to related party transactions, the committee was established to provide oversight and responsibility for managing compliance with the Act. All related party transactions of board members and executive management are reviewed by the Conduct Review Committee, which is responsible for reporting any violation of related party rules to OSFI.

Internal Controls

Alberta Central's internal audit team, under the direction of the Board's Audit and Finance Committee, periodically assesses the effectiveness of internal control procedures. As part of Alberta Central's regulatory compliance self-assessment procedures, an independent audit of compliance reports prepared by Alberta Central's Chief Compliance Officer is reviewed on an annual basis. The findings and recommendations of the internal audit team are reported to Central management and the Audit and Finance Committee to ensure appropriate internal controls are in place, and continued compliance with applicable regulatory requirements.

Risk Management

To effectively manage risk, the Board has established an *Enterprise Risk Governing Policy*, *Lending Policy* and *Investment Policy*. On an annual basis, the Audit and Finance Committee and Credit Committee review and make recommendations to the Board of Directors on these policies. The *Investment Policy* provides for an asset liability committee (ALCO) comprised of management, which meets on a quarterly basis to formally review Central's investment and lending portfolio management and compliance to policy. Central's management team also regularly updates the committees and the Board on any emerging financial and regulatory risks.

Conduct and Accountability

Alberta Central has policies and procedures that promote professional and ethical behaviour. Central's policies outline the standards of conduct that employees must adhere to in performing their duties for the organization. On an annual basis, Central's employees are required to review and certify their understanding of and compliance with the specified business conduct policies. Central's Directors annually complete an oath of office and conflict of interest declaration, which outlines their obligations with respect to standards of conduct, confidentially of Central business matters, and related party transaction rules.

Disclosure of Governance Practices

Recent developments in corporate governance in Canada for public companies require a full disclosure of corporate governance practices, and the Ontario Securities Commission has published a disclosure guideline specific to this requirement. In accordance with the developments in corporate governance best practices, Alberta Central now voluntarily discloses its governance practices in its annual reports.

Board Independence

Central's board is comprised entirely of independent Directors. As such, Central employees are not permitted to sit on the board. In furthering the independence of its Directors, Alberta Central's Board meets independently of management at the option of the Board. The Board meets in-camera, without management present, with the external auditor on at least an annual basis, and the internal audit function also has direct access to the Board's Audit and Finance Committee. The Board may also independently engage outside advisors and is empowered to do so by Central's bylaws.

Board Self-Assessment

The Board conducts a biennial self-assessment process which evaluates the effectiveness of the Board as a whole. Central's executive management team participates in the Board assessment process at the invitation of the Board to provide input and recommendations.

Director Remuneration

Directors receive remuneration in the form of monthly honoraria, per diem fees for attendance at board meetings and compensation for travel time and expenses. The total remuneration and expenses paid to Central Directors is disclosed in note 16 of the consolidated financial statements.

Director Orientation and Development

All Directors participate in an orientation session upon appointment to the Board which is designed to assist them in carrying out their roles and responsibilities as a Director. Each Director is provided with the opportunity and budget to attend courses, seminars and conferences of their choice for professional development activities relevant to their role on Central's Board.

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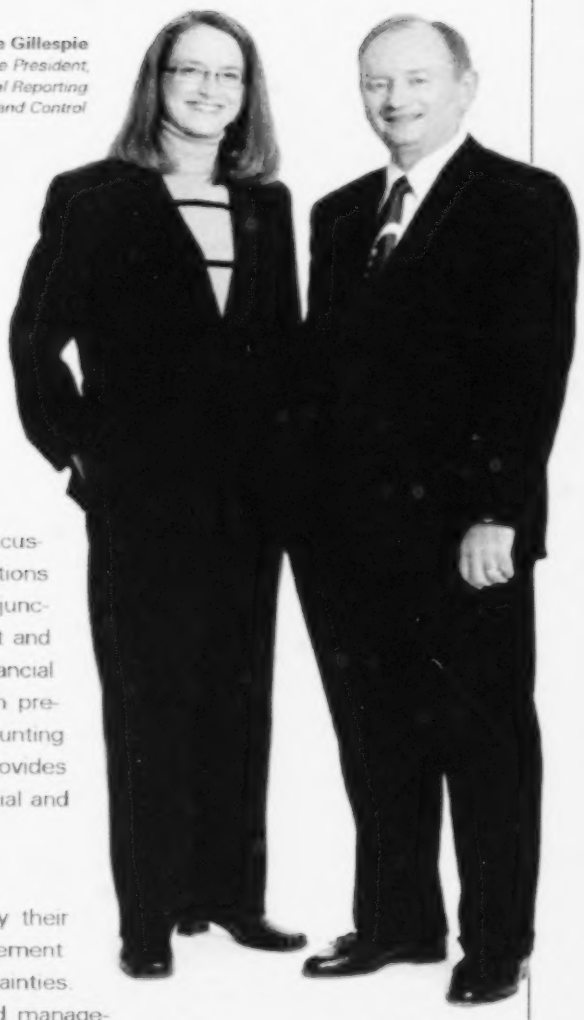

Anne Gillespie
Vice President, Financial Reporting and Control

Barry Johnson
Executive Vice President

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

This section of the annual report providing management's discussion and analysis (MD&A) of the consolidated results of operations and financial condition of Alberta Central should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2009. The consolidated financial statements are reported in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). This MD&A is dated March 5, 2010 and provides comments regarding Alberta Central's core strategies, financial and operating results, risk management and business outlook.

Caution Regarding Forward-Looking Statements

This annual report includes forward-looking statements. By their very nature, such forward-looking statements require management to make assumptions and involve inherent risks and uncertainties. A number of important factors, many of which are beyond management's control, could cause actual future results, conditions, actions or events to differ materially from the targets, projections, expectations, estimates or intentions expressed in forward-looking statements. These factors include, but are not limited to, changes in general economic conditions in Canada, particularly those in Alberta, including: interest rates, currency values and liquidity conditions; the effects of conditions in the credit union system which Alberta Central serves; legislative or regulatory developments; changes in accounting standards or policies and Central's success in anticipating and managing the risks inherent in these factors. We caution readers that the foregoing list is not exhaustive. Alberta Central does not undertake to update any forward-looking statements contained in this annual report. Undue reliance should not be placed on forward-looking statements as actual results may differ materially from expectations.

In the latter half of the year, consumer and business confidence began to recover due to positive economic growth, and the fiscal and monetary policies implemented.

Core Business Profile

The delivery of services that support development of Alberta's credit union system (the system) is one of Alberta Central's core strategies. As the primary liquidity provider and trade association for the system, Alberta Central and its joint ventures provide leadership and support to credit unions through a variety of products and services.

Alberta Central's treasury and lending departments work closely together to manage the statutory and excess liquidity deposits and demand and term funding requirements for Alberta credit unions. They are responsible for maintaining a stable earning asset base while providing for the borrowing needs of credit unions and their members. Alberta Central's commercial paper program which is rated R-1 (low) by Dominion Bond Rating Service (DBRS) provides access to capital markets. While its core treasury and lending services are designed to meet the financing, liquidity and growth needs of the system, Alberta Central also provides foreign exchange, derivative and syndicated loan program services.

With a 50% ownership interest in the Credit Union Payment Services (CUPS) joint venture, Alberta Central supports the payment and settlement operations for the system. Operations include processing of paper-based deposits and clearings, cheque and document imaging and electronic services such as automated funds transfers and wire transfers.

Through its interest in Celero Solutions and Celero's interest in Everlink Payment Services Inc. (Everlink), Alberta Central supports information technology solutions for credit unions, including banking system and switching system development and maintenance, related network and infrastructure support, desktop support and help desk services.

Alberta Central is governed under the *Cooperative Credit Associations Act of Canada* and the *Credit Union Act of Alberta*, and is regulated federally by the Office of the Superintendent of Financial Institutions Canada (OSFI) and provincially by Alberta Finance and Enterprise.

Economic Environment

The past year reflected unprecedented turmoil in global financial and credit markets that was felt in economies around the world. The Alberta, Canadian and global economies continued to weaken in the first half of 2009 as a result of tight credit markets and lower aggregate demand. Declining commodity prices exacerbated the recession experienced in Canada and Alberta. In the latter half of the year, consumer and business confidence began to recover due to positive economic growth, and the fiscal and monetary policies implemented.

Growth

Output in the Alberta economy is estimated to have declined by 2.6% in 2009, after having decreased only slightly (0.2%) in 2008. This reduction in output was largely driven by lower production levels in the mining, manufacturing and construction industries. Service industries also contributed marginally to the decline in real gross domestic product (GDP). While there was growth in the finance, insurance, public administration and community, business and personal services industries, this growth was offset by larger declines in output from wholesale and retail trade, transportation and warehousing.

Mining/Oil and Gas

The main driver of the Alberta economy—the energy sector—was impacted by lower global demand and dramatically reduced commodity prices. In 2009 crude oil prices fell well below record prices set in 2008. Although oil prices recovered somewhat in 2009, particularly in the fourth quarter, low oil prices resulted in delayed implementation of major petroleum capital projects. Natural gas prices have declined more steeply than oil prices and have been slower to rebound. Natural gas is a bigger driver of the Alberta economy than oil, having flow through impacts to provincial royalty and land sale revenues, as well as drilling and well service activity, and eventually consumer spending. Below-average temperatures in North America in the fourth quarter of 2009 contributed to an increase in demand for natural gas and slightly higher prices at the end of the year.

Agriculture

Agricultural production in Alberta is estimated to have declined in 2009 largely as a result of lower crop production. During the first nine months of the year, farm cash receipts fell on account of lower revenue from crops and livestock and a reduction in receipts from government programs. Exports of agricultural products also declined.

Housing

Alberta's housing market correction continued in 2009, following years of inventory build-up during the economic boom. Due to an excess supply of homes, housing starts for both single-detached homes and multi-family homes continued to decline. Despite declines in housing starts, the activity in the resale market gained some traction; low mortgage rates, government incentives and lower house prices in 2009 contributed to this increase in the resale market.

Labour Market

As demand for workers, particularly in the manufacturing, mining and oil and gas extraction industries, declined due to weak economic conditions, Alberta witnessed a much softer labour market in 2009 than recent years. With employment falling by 1.1%, the average unemployment rate in Alberta rose to 6.6% in 2009, from 3.6% in 2008. However, even with softer labour market conditions, average weekly wages continued to grow. During the first three quarters, seasonally adjusted average weekly wages and salaries rose by 1.6%.

Consumer Spending

Consumer discretionary spending fell drastically in 2009 due to developments in the labour market and recessionary environment. As in 2008, 2009 retail sales in Alberta continued to decline at a more rapid pace than in any other Canadian province.

Interest Rates

The Bank of Canada continued to provide monetary stimulus through a series of interest rate cuts in 2009. In April, the Bank of Canada lowered its target overnight lending rate to an all-time record low of 0.25%. The Bank Rate and prime rate correspondingly fell to 0.50% and 2.25%. An unprecedented conditional commitment to maintain that policy rate until the end of the second quarter of 2010 was also provided by the Bank of Canada in order to support the economy in its recovery.

Foreign Exchange Rates

The Canadian dollar depreciated against the US dollar during the first quarter of 2009, as investors purchased US securities in an effort to protect their investments amidst the global financial crisis. Over the remainder of the year, this trend reversed as a result of increased stability in the global economy. At the same time, very strong fundamentals in the Canadian economy provided further support to the appreciation of the Canadian dollar, which ended the year at US$ 0.96.

2009 Performance

Alberta Credit Union System[1]

Consistent with the performance of the Alberta economy, Alberta credit unions experienced a slowdown in asset growth as the recessionary environment limited liquidity and lending conditions tightened. In the 2009 fiscal year, credit unions' assets grew by 6.1% to $17.5 billion compared to growth of 11.5% in 2008. The recessionary environment pushed the annual growth rate to its lowest level since 1997.

ALBERTA CREDIT UNION SYSTEM – GROWTH

Years ended October 31,	**2009**	2008	2007
Total assets *($000s)*	**17,492,066**	16,486,946	14,787,091
Asset growth	**6.1%**	11.5%	15.8%
Deposit growth	**6.2%**	14.2%	12.9%
Loan growth	**5.9%**	10.2%	19.1%

With liquidity conditions becoming very tight in the fall of 2008 and into 2009, credit unions focused on liquidity and generated 6.2% growth in member deposits to support loan growth. Deposit growth was concentrated in demand deposits as the low interest rate environment deterred growth in term products. With strong levels of system liquidity in place, credit union borrowings from Central declined after the first calendar quarter of 2009.

ALBERTA CREDIT UNION SYSTEM – LOANS

Years ended October 31,		**2009**		2008		2007
($000s)	**$**	**% Growth**	**$**	**% Growth**	**$**	**% Growth**
Residential mortgages	**8,034,183**	**10.6%**	7,261,545	3.9%	6,985,804	23.7%
Commercial loans	**4,332,992**	**7.0%**	4,049,902	25.3%	3,232,405	20.3%
Consumer loans	**1,716,723**	**(10.3%)**	1,914,114	13.3%	1,689,282	7.7%
Agricultural and other loans	**677,401**	**(4.6%)**	709,941	(4.6%)	743,876	2.9%
Total loans	**$14,761,299**	**5.9%**	$13,935,502	10.2%	$12,651,367	19.1%

(1) Alberta credit union system financial information has been provided by Credit Union Deposit Guarantee Corporation (CUDGC), the regulator of the provincial credit union system. Alberta Central has not verified the accuracy or completeness of this information. All financial information is based on a fiscal October 31 year end.

Total outstanding loans to members rose by 5.9% compared to 10.2% in 2008. Residential mortgages accounted for the largest percentage increase (10.6%), followed by commercial loans (7.0%). In spite of the decline in housing starts, the overall residential resale market improved and residential mortgages grew at a faster rate than in 2008. Lower residential home prices and historically low interest rates were the key factors contributing to this performance as housing became more affordable to buyers. Recessionary impacts were felt in both consumer and agricultural lending which declined by 10.3% and 4.6% respectively.

With the weaker economy and increases in unemployment and bankruptcy claims, delinquency levels increased from 0.45% in 2008 to 0.95% in 2009. Of the total delinquency, commercial loans and residential mortgages each accounted for 40%, followed by consumer and agricultural loans accounting for a smaller share of total delinquent loans at 14% and 6% respectively. While delinquency levels have increased, the rise in the allowance for impairment was limited to 2 basis points, comprising 0.33% of total loans. Delinquency in the commercial loan and residential mortgage portfolios tends to have a significant impact on delinquency ratios due to the large dollar value associated with these loans; the impact these loans have on loan loss allowances, however, is typically offset by stronger security margins than normally found in other loan categories.

ALBERTA CREDIT UNION SYSTEM – OPERATING RESULTS

Years ended October 31,	2009	2008	2007
Financial margin as a % of average assets	**2.45%**	2.82%	2.86%
Net income before taxes and patronage *($000s)*	**141,940**	173,032	162,674
Net income before taxes and patronage as a % of average assets	**0.83%**	1.10%	1.18%

In 2009 the effects of financial turbulence continued to impact Alberta credit unions' financial margin. After further consecutive reductions in the prime rate totaling 175 basis points since October 2008, the prime rate reached an historic low of 2.25% in April 2009. Combined with global demand for liquidity, which resulted in deposit costs remaining high relative to loan and investment yields, this caused the most severe compression of margins experienced in the credit union system in the last 20 years and financial margin as a percentage of average assets fell by 37 basis points to 2.45%. At year end, net income before taxes and patronage dividends totaled $141.9 million or 83 basis points of average assets, down from 110 basis points of average assets in 2008. Credit unions were, however, very successful at managing operating expenses which decreased 21 basis points in 2009 to 2.41% of average assets.

Despite difficult financial times in 2009, Alberta credit unions remained financially sound and continued to perform well during the crisis. Alberta credit unions stood by their members and rewarded them for their loyalty with patronage and share dividends of over $61 million.

Key Performance Drivers

The performance of Alberta's credit union system is a key driver of Alberta Central's balance sheet and the corresponding returns it produces. Statutory liquidity deposits at Alberta Central are a function of the Alberta credit union system's liabilities, and therefore growth in member deposits in the system translates to growth in Alberta Central's balance sheet. Lending levels from Alberta Central to credit unions typically fluctuate in tandem with lending activity at the retail level. Alberta credit union member consumer activity affects payment volumes in CUPS, and banking and switching volumes in Celero and Everlink.

2009 Performance

Alberta Central

Results of Operations

This section provides management's commentary on the consolidated results of operations and financial condition of Alberta Central based on the audited consolidated financial statements as at and for the year ended December 31, 2009.

Alberta Central recorded earnings of $8.9 million. This compares favourably to the previous year, when Alberta Central reported a net loss of $37.8 million due to fair value adjustments relating to holdings of asset-backed commercial paper (ABCP). In January 2009, non-bank ABCP holdings were successfully restructured, and based on quarterly valuations of the holdings through 2009, no further change to the recorded fair value was required.

Adjusting for the impact of changes in the fair value of ABCP and CUETS-related income, earnings before dividends and income taxes were $9.2 million in 2009, compared to $9.4 million in 2008.

ALBERTA CENTRAL – RESULTS OF OPERATIONS			
Years ended December 31, ($000s)	**2009**	2008	2007
Total assets	**2,067,121**	2,002,799	1,916,237
Financial margin	**12,201**	17,687	17,425
Net income (loss)	**8,885**	(37,796)	41,407
Net income (loss) before taxes and dividends – excluding ABCP and CUETS	**9,163**	9,423	10,326

Financial Margin

Fiscal 2009 presented a year of global financial turmoil with the impacts of a recessionary environment felt for the vast majority of the year. Alberta Central's assets grew slightly in 2009 but with a change in the asset mix. In light of world-wide liquidity shortages, Alberta Central's role as liquidity provider to the Alberta credit union system was critical and Central's management maintained a focus on managing liquidity risk. However, a reduction in commercial lending activity and the maintenance of a short-term, liquid securities portfolio came at the expense of financial margin. Similar to its member credit unions, Alberta Central also experienced significant downward pressure on financial margin throughout 2009 due to the historically low prime rate of interest.

In the second half of the year, credit unions relied less on Central to provide loans to fund their lending programs as they were able to fund their requirements from deposit growth. Consequently, Central's outstanding loans to credit unions declined while the investment portfolio grew, as members deposited excess liquidity at Alberta Central. As liquidity levels in the system stabilized, a portion of the securities portfolio was diversified into higher-yielding, longer-term securities. This was achieved without adversely affecting Central's overall liquidity position in keeping with regulatory requirements.

With margin compression, the interest-earning assets on Central's balance sheet produced a financial margin of $12.2 million compared to $17.7 million in 2008. As a result, Central generated a much lower return on average assets before share dividends: 0.57% compared to 0.87% in 2008.

ALBERTA CENTRAL – FINANCIAL MARGIN

	2009			2008			2007		
(000s)	$ Average Balances	$ Income/ Expense	P=2.44% Yield	$ Average Balances	$ Income/ Expense	P=4.82% Yield	$ Average Balances	$ Income/ Expense	P=6.10% Yield
Cash and securities	**1,810,266**	**16,459**	**0.91%**	1,573,563	54,706	3.48%	1,335,135	59,958	4.49%
Credit union loans	**134,563**	**2,785**	**2.07%**	261,759	10,158	3.88%	267,229	14,129	5.29%
Commercial and other loans	**173,134**	**7,525**	**4.35%**	176,900	9,341	5.28%	134,671	6,718	4.99%
Other assets	**34,941**		**0.00%**	26,843		0.00%	30,698	6	0.02%
	2,152,904	**26,769**	**1.24%**	2,039,065	74,205	3.64%	1,767,733	80,811	4.57%
Members' deposits	**1,887,339**	**14,362**	**0.76%**	1,700,194	54,700	3.22%	1,442,368	60,599	4.20%
Borrowings	**26,981**	**206**	**0.76%**	52,683	1,818	3.45%	63,417	2,787	4.39%
Other liabilities	**27,718**		**0.00%**	39,035		0.00%	24,697		0.00%
	1,942,038	**14,568**	**0.75%**	1,791,912	56,518	3.15%	1,530,482	63,386	4.14%
Common share capital	**181,277**	**4,418**	**2.44%**	176,800	6,747	3.82%	176,377	10,760	6.10%
Retained earnings and accumulated other comprehensive income	**29,589**		**0.00%**	70,353		0.00%	60,874		0.00%
	210,866	**4,418**	**2.10%**	247,153	6,747	2.73%	237,251	10,760	4.54%
	2,152,904	**18,986**	**0.88%**	2,039,065	63,265	3.10%	1,767,733	74,146	4.19%
Return on assets									
Before dividends		**12,201**	**0.57%**		17,687	0.87%		17,425	0.99%
After dividends		**7,783**	**0.36%**		10,940	0.54%		6,665	0.38%

Provision for Credit Losses

The financial margin results (above) are before provisions for credit losses. Alberta Central maintains an allowance for impairment to absorb losses in its loan portfolios and regular management reviews of each loan are conducted to identify indications of any impairment.

Alberta Central's loan portfolio is concentrated in Alberta. Its credit risk exposure across industry sectors, excluding loans to credit unions, is outlined below.

ALBERTA CENTRAL – COMMERCIAL LOANS AND MORTGAGES

Years ended October 31,	2009		2008		2007	
(000s)	$	%	$	%	$	%
Real estate	**104,328**	**61.1**	93,497	46.6	77,985	43.7
Hospitality	**30,222**	**17.7**	39,113	19.5	33,530	18.8
HealthCare	**17,845**	**10.5**	17,222	8.6	15,223	8.5
Technology	**10,710**	**6.3**	21,804	10.9	22,304	12.5
Finance	**6,123**	**3.6**	28,380	14.1	26,798	15.0
Retail	**1,429**	**0.8**	586	0.3	2,589	1.5
	170,657	**100.0**	200,602	100.0	178,429	100.0
Non specific allowance	**(777)**		(865)		(755)	
Total commercial loans and mortgages, net	**169,880**		199,737		177,674	

Alberta Central's commercial loan and mortgage portfolio balance has moderated from 2008 and is more indicative of historical levels. The real estate and healthcare sectors achieved growth in both dollar and percentage terms, which was offset by reduced lending in all other sectors.

Despite the recessionary environment, credit quality remained satisfactory. Alberta Central had no loans that were past due or impaired at December 31, 2009, and consequently, did not record a specific allowance for credit losses on its loan portfolio. Although the commercial loan and mortgage portfolio has remained resilient through the recent economic cycle, management has maintained a non-specific allowance to be prudent through the economic recovery. The non-specific allowance was adjusted downward to $0.8 million based on management's overall evaluation of risk in the commercial loan and mortgage portfolio in recognition of losses not specifically identified on an item-by-item basis.

Gain on Sale of Securities

During the year, The CUMIS Group Limited (CUMIS) was acquired by Co-operators Life Insurance Company and Central 1 Credit Union. As part of a buyout of the minority shareholders, Alberta Central sold its interest in CUMIS, realizing a gain of $1.9 million. Alberta Central also sold holdings in an ABCP MAV 2 tracking note for sale proceeds and a gain on sale of $0.8 million.

Operating Income

In addition to its financial margin, Alberta Central earns operating income from its joint ventures, ancillary financial services, credit union member dues and various facilities, human resources and accounting services provided to its joint ventures. Operating income increased from $20.2 million in 2008 to $23.0 million in 2009.

Because Alberta Central has joint control of Credit Union Payment Services (CUPS), the proportionate consolidation method is used to record Alberta Central's share of CUPS's operating results. This means that Alberta Central's share of both CUPS's total income and total expenses are recorded through Alberta Central's operating income and operating expenses. Conversely, because Alberta Central does not have joint control of Celero, and Celero does not have joint control of Everlink, the equity method of accounting must be used, which results in recording only Alberta Central's share of the net operating results of these entities. The equity accounting for Celero is disclosed separately outside of operating income and operating expenses.

Ancillary financial services include other sources of income outside the financial margin from treasury and lending services, purchasing, cash services, credit union audit services and Alberta Central's manuals program.

The significant components of financial services income (Note 11) are outlined below.

ALBERTA CENTRAL – FINANCIAL SERVICES INCOME

($000s)	2009	2008	2007
Credit Union Payment Services revenues	**8,796**	7,964	7,790
Foreign exchange and derivative revenues	**1,001**	1,542	1,644
Purchasing revenues, net of cost of goods	**852**	861	771
Cash services revenues	**1,011**	908	886
Other	**898**	831	628
	12,558	12,106	11,719

Revenues from CUPS grew 10.4% from 2008. Strong growth in the electronic bill payments, statements and document imaging lines of business contributed to the year-over-year growth in revenue. CUPS remains committed to providing market-competitive payment processing solutions to credit unions as its key clients. Foreign exchange revenues suffered a 35% decline as the difficult economic conditions in 2009 produced sharp declines in the volume of activity. Purchasing revenues net of cost of goods sold were relatively consistent with prior year results. Cash services and other financial services incomes showed strong growth of 11.3% and 8.1% respectively.

Operating Expenses

Operating expenses include those relating directly to Alberta Central and also Alberta Central's share of operating expenses in CUPS. Operating expenses totaled $23.5 million and include personnel, property and equipment, administration and organization costs.

All operating expenses were reviewed critically to ensure the spending was prudent in light of economic circumstances. Spending in property and equipment and organization expenses decreased 5.5% and 3.9% respectively. Administration and other costs increased 1.2%. Increases in personnel costs reflect growth in full time equivalents in both Alberta Central and CUPS to support service delivery to member credit unions. Merit increases averaged 3.3%, in line with financial services sector adjustments in 2009. The continuing investment in employees as our most important resource is especially critical in light of Alberta Central's 2010 strategic initiatives, which include, but are not limited to, execution of the Prairie Central merger initiative, Central's conversion to eroWORKS® and the implementation of International Financial Reporting Standards (IFRS).

Work on the Prairie Central merger initiative was primarily supported with internal resources in 2009. An incremental $0.3 million incurred for external professional advisory services is included in the "administration and other" category. Excluding Prairie Central costs, "administration and other" costs decreased 4.2%.

Equity Loss in Celero Solutions

By December 31, 2009, Celero had successfully converted 71 prairie credit unions to the eroWORKS® banking platform with an additional 41 credit union conversions planned for 2010. Alberta Central's equity share of the current year's results in Celero includes $1.6 million of costs from the banking system conversion project. During the eroWORKS® rollout, there has been duplication in costs of the operation of four legacy banking platforms along with the new eroWORKS® platform. Financial projections for Celero show considerable improvement in earnings once the banking system conversion project is complete at the end of 2010. Celero owns an equity interest in Everlink and Alberta Central's share of Everlink's operating results before interest costs were break even in 2009, compared to earnings of $0.26 million in 2008. The reduced earnings in Everlink include the impact of a 40% price reduction in switching fees introduced for credit unions in 2009.

Celero's results reflect investment in a number of key strategic initiatives to enhance services to credit unions. In an effort to ensure credit unions become proficient users of their new banking system, Celero undertook several post-conversion improvement programs, including a number of on-site credit union assessments and implementation of enhancements to credit unions' new reporting environment.

Celero also announced a five-year partnership with global technology leader IBM and transitioned management of its data centre operations to IBM. Upgrades to its physical data centres ensure that Celero clients continue to be on equal footing with all major financial institutions in Canada and provide stronger capabilities to manage downtime risks.

Discontinued Operations

On October 1, 2007, the net assets related to the retail credit card business of the CUETS joint venture were sold to CUETS Financial Ltd., a wholly owned subsidiary of MBNA Canada Bank for an after-tax gain of $56.7 million. On January 1, 2008, the remaining net assets related to the CUETS merchant acquiring business were sold to First Data Corporation for an after-tax gain of $5.8 million.

In conjunction with the sale of net assets related to the retail credit card business, the joint venture owners (Alberta Central and SaskCentral) entered into a non-competition and non-solicitation agreement which restricts them from issuing, holding or being a party to credit card business in Canada. This agreement is effective until September 30, 2011. Revenue received under the terms of this agreement has been deferred and amortized over the four year term of the agreement and will be approximately $1.2 million annually. Alberta Central's share of a recovery in 2009 of income taxes previously paid in relation to "mark to market" values in a corporate entity reported through the CUETS joint venture was $0.7 million.

Share Dividends

Share capital dividends of $4.4 million were calculated and paid in 2009 using members' minimum monthly common share capital account balances and the average monthly prime interest rate. In 2008, share dividends were calculated using the average monthly prime interest rate less 1.0% and totaled $6.7 million. Alberta Central's return on assets on an after share dividend basis was 0.36%, compared to 0.54% in 2008.

The payment of share dividends and the timing and amount of such dividends is subject to the discretion of the Board of Directors and depends on Alberta Central's financial results and general business conditions. In light of significant financial investments required in 2010 for the Prairie Central merger initiative, Celero's ongoing eroWORKS® conversion costs and Alberta Central's conversion to eroWORKS®, Alberta Central has not budgeted a share dividend in 2010.

Liquidity and Regulatory Capital

Alberta Central's liquidity reserves, when measured by year end balances, were in excess of the requirements under provincial legislation and the *National Liquidity Fund Agreement*.

Alberta Central is the prescribed liquidity manager for Alberta's credit unions. Alberta Central's bylaws require Alberta credit unions to maintain a minimum of 1% of their assets as share capital in Alberta Central. Credit unions are also required to maintain liquidity deposits at Alberta Central such that their total liquidity deposits and share capital held with Alberta Central comprise no less than 9% of the credit union's liabilities.

Alberta Central participates with other Canadian credit union centrals in a national liquidity arrangement. Under the terms of the governing *National Liquidity Fund Agreement*, participating credit union centrals are required to keep 2% of their respective provincial system's assets in segregated accounts

of liquid assets and a further 4% of their provincial system's assets in certain qualifying liquid assets, a requirement which is already met by Alberta Central's compliance with provincial legislation. The securities may be used to provide liquidity to any one or more of the participating centrals.

Alberta Central's capital levels are regulated under both federal and provincial guidelines. Federal regulation requires Alberta Central to maintain a prescribed borrowing multiple (the ratio of debt to regulatory capital). Provincial regulation overseen by Alberta Finance and Enterprise also requires Alberta Central to maintain a prescribed borrowing multiple. For purposes of these multiple calculations, borrowings are comprised of members' deposits, loans and notes payable and certain derivative financial liabilities. Alberta Central's borrowing multiple positions are outlined below.

ALBERTA CENTRAL – BORROWING MULTIPLE			
Years ended December 31,	2009	2008	2007
Alberta Central share capital and retained earnings *($000s)*	**215,527**	208,881	248,145
Borrowing multiple	**8.8**	9.0	6.7

In each year, Alberta Central's capital levels exceeded regulatory capital requirements.

Internal Control over Financial Reporting

There have been no changes in Alberta Central's design of internal controls and procedures over financial reporting during the year ended December 31, 2009, that have materially affected, or are reasonably likely to materially affect, Alberta Central's internal control over financial reporting during the period covered by this management discussion and analysis.

Critical Accounting Estimates and Assumptions

Alberta Central's consolidated financial statements are prepared in accordance with Canadian GAAP as described in note 1 to the audited financial statements. These accounting policies require management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates. Critical areas of estimation where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, include those relating to the valuation of ABCP, the fair value of financial instruments and the provision for credit losses on commercial loans and mortgages.

Current Year Changes in Accounting Policies

Effective January 1, 2009 Alberta Central adopted amendments to two accounting standards contained in Canadian Institute of Chartered Accountants (CICA) Handbook: Section 3862 – *Financial Instruments – Disclosures* and Section 3855 – *Financial Instruments – Recognition and Measurement.*

Effective January 1, 2009, Alberta Central adopted CICA Emerging Issues Committee (EIC) 173 – *Credit Risk and Fair Value of Financial Assets and Financial Liabilities.*

Effective January 1, 2009, Alberta Central retroactively adopted CICA Handbook Section 3064 – *Goodwill and Intangible Assets* which replaced Section 3062 – *Goodwill and Other Intangible Assets* and Section 3450 – *Research and Development Costs.*

The additional financial reporting requirements arising from these new standards are outlined in note 1 to the audited consolidated financial statements and additional disclosure required as a result of the adoption of these standards is contained in notes 2 and 5 to the audited consolidated financial statements.

Future Changes in Accounting Policies

The CICA will transition Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS) effective for fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The objective of this transition is to improve financial reporting through the use of a single set of accounting standards that are comparable with other entities on an international basis.

Alberta Central has established a three stage project to identify and evaluate the impact of the transition to IFRS on financial statements and develop a plan to complete the transition. The project is in progress and management is currently evaluating the impact of the application of these standards on its consolidated financial statements. Under the project, Alberta Central has established an IFRS project charter and project team and has delivered IFRS progress reports to the Audit and Finance Committee and OSFI.

Asset-Backed Commercial Paper

As outlined in note 3 to the December 31, 2009 consolidated financial statements, Alberta Central held $224.5 million of non-bank ABCP which was outstanding at the time the Canadian market for this paper suffered a liquidity disruption in August 2007. At the dates of acquisition, these short term investments were in compliance with Alberta Central's *Investment Policy* and were rated R1 (High) by Dominion Bond Rating Service (DBRS), the highest credit rating issued for commercial paper. The investments subject to the Montreal Accord were restructured on January 21, 2009 and the original notes were exchanged for new longer term floating rate notes that more closely matched the maturities of the underlying assets. The replacement notes are classified as held for trading financial assets and are carried at fair value. There have been a limited number of trades in the replacement notes but Alberta Central does not consider them to be of sufficient volume or value to constitute an active market. During the year, Alberta Central received principal of $24.4 million on the restructured notes. On November 3, 2009, Alberta Central sold a MAV 2 tracking note for sale proceeds and gain on sale of $0.8 million.

DBRS announced ratings on various restructured notes at the time of restructuring. During the year, the rating for the MAV 2 Class A-2 notes was downgraded from A to BBB (low) under a negative watch by DBRS. Subsequent to year end, DBRS removed the MAV 2 Class A notes from under review with negative implications and confirmed them at BBB (low).

Alberta Central also has investments totaling $22.8 million in bank sponsored ABCP investments which suffered a liquidity disruption and have been restructured. The restructuring plans were generally similar to the non-bank ABCP plans with the assets restructured into long-term floating rate notes to match the maturity of the underlying assets. Upon restructuring, one of the notes was rated AA by DBRS while the other note was unrated. During the year, the rated note was downgraded from AA to A (low) by DBRS. There is not an active market for the bank-sponsored notes.

In the absence of an active market for these notes, accounting standards require the holder to "mark to market" or fair value the notes using a discounted cash flow model. Consistent with the valuation approach in the prior year, Alberta Central has estimated the fair value of these assets using a discounted cash flow valuation model incorporating management's best estimates of credit risk attributable to underlying assets, market interest rates and other factors that a market participant would consider for such investments. The discount rates underlying the cash flow valuation are based on appropriate forward-credit indices, adjusted for estimated premiums to reflect the expected lack of liquidity of the restructured notes. These indices are standardized, market-based indices compiled to reflect general credit quality conditions for similarly rated groups of companies.

At December 31, 2009, Alberta Central held the following investments in bank and non-bank sponsored ABCP with fair values as indicated:

ALBERTA CENTRAL – BANK AND NON-BANK ABCP PROVISIONS

($000s)	DBRS Credit Rating	Face Value Received Upon Restructuring	Face Value Sold and Principal Repayment	Face Value as at December 31, 2009
Non-bank sponsored ABCP				
MAV 2 notes:				
Class A-1	A	98,577	(256)	98,321
Class A-2	BBB (low)	56,334	–	56,334
Class B	–	10,226	–	10,226
Class C	–	5,107	–	5,107
Tracking notes	–	9,953	(1,938)	8,015
		180,197	(2,194)	178,003
MAV 3 tracking notes:				
Traditional asset				
Rated	AAA and AA (high)	27,482	(19,733)	7,749
Unrated	–	7,434	(2,256)	5,178
Ineligible asset	–	6,979	(1,296)	5,683
		41,895	(23,285)	18,610
Non-bank sponsored ABCP		222,092	(25,479)	196,613
Bank Sponsored ABCP				
Rated	A (low)	13,204	–	13,204
Unrated	–	9,589	–	9,589
Bank sponsored ABCP		22,793	–	22,793
Total ABCP		244,885	(25,479)	219,406

Face value as at December 31, 2009	219,406
Accrued interest	2,261
Fair value adjustment as at December 31, 2009	(97,627)
Fair value as at December 31, 2009	**124,040**

There has been improvement in the forward-credit indices through 2009, resulting in a reduction in the market discount rate and an increase in the estimated fair value of the notes determined by the discounted cash flow valuation model. However, management believes that sufficient uncertainty

remains relative to the fair value of the notes that it was not appropriate to record a positive adjustment to the fair value of the notes at December 31, 2009. Management will continue to review the valuation of the notes on a quarterly basis and record fair value adjustments as appropriate under GAAP.

The estimated fair value of ABCP is subject to significant risk and uncertainty, including the amount and timing of future cash flows, market liquidity and the credit quality of the underlying assets. As the fair value of ABCP has been estimated using a discounted cash flow model based on the assumptions noted above, it is reasonably possible that changes in conditions in the near term could require a material change in the estimated fair value. An increase of 25 basis points in the discount rate would result in a $2.6 million decrease in the fair value of ABCP and a decrease of 25 basis points would result in a $2.7 million increase in the fair value of ABCP.

These investments have been excluded from the liquidity calculations discussed earlier in this report. Alberta Central has operated, and continues to operate, within its legislated liquidity requirements.

Prairie Central Merger

By the end of 2009 Alberta Central, SaskCentral and Credit Union Central of Manitoba made significant progress on merger plans to form a single central that would maximize the services provided to credit unions in all three provinces. Last year the three centrals, with the input and co-operation of Concentra Financial, completed and provided to prairie credit unions a detailed Business Strategy that outlined foundational precepts for the implementation of a Prairie Central. The three centrals engaged in conversations with their member credit unions to gain feedback and determine levels of support for the Business Strategy document. Overall, credit unions were very supportive of the merger proposal, and the boards of each of the centrals subsequently provided their approval to proceed with the next steps of the merger process.

In 2010, project teams from the centrals and Concentra will be continuing their work on implementation planning. This will include developing a legal merger agreement, receiving prairie credit union system approval to proceed with the merger, completing the necessary legal work and regulatory applications, valuation activity, transition activity and required organizational changes. The centrals are aiming for a target implementation date in 2011.

Economic Outlook Beyond 2009

While global financial markets remain uncertain, they continue to show signs of improvement, largely as a result of extraordinary measures taken by governments around the world. In 2010, economic growth will remain heavily dependent on monetary and fiscal policies, and while continued improvement in the global financial markets is expected to pave the way for further economic recovery, the rate of recovery is expected to be slow.

In Alberta, it is expected that the improvement in the economy will be driven by a recovery in goods-producing industries. Energy prices are anticipated to continue to rise, which will result in a rebound in the oil and gas industry. Improved economic conditions and low mortgage rates, particularly in the first half of the year, will contribute to a recovery in the housing market. The number of housing starts and growth in sales of existing homes is anticipated to increase along with house prices. The

unemployment rate is forecasted to increase due to the rising number of people in the labour force versus the number of new jobs created. For this reason wages are expected to be contained, with average weekly wages projected to increase at a slower rate in 2010 than in 2009.

With the lack of inflationary pressure and the relatively slow economic recovery being experienced in Canada, the Bank of Canada in early 2010 reconfirmed its conditional commitment to maintain its overnight lending rate at 0.25% until June 2010. As the economy recovers, it is expected that interest rates will rise moderately in the latter part of the year. The outlook for the Canadian dollar will continue to be dependent on energy and commodity prices which are anticipated to rise in 2010.

With uncertainty surrounding the speed and strength of the economic recovery and with interest rates likely to remain static for the first half of the year, estimates for credit union asset growth remain conservative and financial margin compression is expected to continue for the Alberta credit union system.

Risk Management

Alberta Central recognizes risk management as one of its most important responsibilities. Risk is inherent in business and when managed appropriately is a source of growth and sustainability. Alberta Central's objective is to optimize risk for the protection and creation of member value. Optimizing risk means striking a balance between risk and reward, and at the same time ensuring that the company's risk taking is consistent with its strategic plans and risk tolerance.

In order to meet risk management objectives, risks must be identified, understood, measured, assessed and managed on an enterprise-wide basis. The implementation of Alberta Central's enterprise risk management framework addresses these needs and is an integral component of Central's strategic plans. During 2009, progress toward implementing the framework included development of a risk register, assessment and ranking of significant risks, as well as the ongoing development of business continuity and pandemic plans. We recognize that implementing an effective enterprise risk management program is a process and an investment which entails significant time and effort to ensure that risks are recognized, governed and appropriately managed in providing for the safety, soundness and good reputation of Alberta Central as a whole.

Alberta Central's Board of Directors has overall responsibility for understanding the significant risks to which Alberta Central is exposed, establishing prudent risk management policies for those risks, ensuring that those policies are adhered to and ensuring that an effective risk management process is in place. Under the *Terms of Reference* of the Audit and Finance Committee, certain risk management responsibilities are delegated to the Audit and Finance Committee by the Board.

Central's risks are broadly categorized as follows: capital adequacy, credit, interest rate, foreign exchange, price, liquidity, corporate governance, operational, strategic, legal and regulatory. Experienced and qualified staff at Alberta Central manage each of these risk categories through compliance with established policies and procedures within delegated authority levels and limits. Internal audit reports independently to the Audit and Finance Committee of the Board on the effectiveness of the risk management policies and the extent to which internal controls are in place and operating effectively.

Risk categories are described in further detail below.

Capital Adequacy Risk

Capital adequacy risk is the risk of financial loss and/or regulatory intervention due to the failure of Alberta Central to maintain the prescribed capital base to meet regulatory requirements and/or the capital base necessary to support its business plans. Alberta Central's capital management processes anticipate the capital requirements and the sources that will be drawn upon to maintain the necessary level of capital throughout the year. Management regularly monitors and reports the levels and quality of the company's capital to the Audit and Finance Committee of the Board of Directors.

Alberta Central's capital position as at December 31, 2009 is described in note 2 to the audited financial statements.

Credit Risk

Credit risk is the potential for loss due to the failure of a borrower or counterparty to meet its financial or contractual obligation. Alberta Central is exposed to credit risk in its lending operations and in its investment activities.

Alberta Central's lending and investment policies addressing credit risk are reviewed and approved annually by the Board of Directors. Management regularly reviews credit procedures to ensure they provide relevant, appropriate guidance for the underwriting and administration of all types of loans. Alberta Central's lending activity is predominantly to serve the needs of Alberta credit unions and their members. Alberta Central's commercial lending activity is primarily as a secondary syndication partner with credit unions, however loans must meet Alberta Central's lending criteria without reliance on the due diligence process of any syndication partner.

Alberta Central employs and is committed to a number of important principles to manage credit exposures:

- A Credit Committee of the Board whose duties include approval of lending policies, establishment and delegation of loan limits and approval of larger credits;
- Delegated lending authorities, which are clearly communicated to personnel engaged in the credit granting process, a defined approval process for loans in excess of those limits and the review of larger credits by senior management personnel prior to recommendation to the Credit Committee;
- Employment of personnel engaged in credit granting who are qualified and experienced in lending;
- Lending policies which are communicated to employees whose activities and responsibilities include credit granting and risk assessment;
- Annual reviews of loans; and
- Independent reviews by internal audit, which includes reporting the results to senior management and Alberta Central's Audit and Finance Committee.

Alberta Central maintains both specific and general allowances for credit losses. Specific allowances are established based on management's knowledge and review of individual loans. The general

allowance exists to provide an additional reserve against possible volatility in future cash flows as a result of unexpected loan defaults. The general reserve for credit losses is raised to recognize that loans that are not currently in arrears have some probability of future loss, and that loans that are provided for may result in a higher loss due to changed circumstances. The general provision is calculated based on current non-delinquent credit balances, historical default probabilities and rates of loss in the event of default.

Alberta Central's total exposure to credit risk as at December 31, 2009 is illustrated in the tables in note 2 to the audited financial statements. At December 31, 2009, Alberta Central's total credit commitments were $1.5 billion and its maximum exposure to credit risk, including undrawn commitments, without taking account of any collateral held or other credit enhancements is $3.2 billion. At December 31, 2009, Alberta Central had no loans that were past due or impaired.

Interest Rate Risk

Interest rate risk is the risk that interest rate fluctuations may erode Alberta Central's earnings and economic value. Alberta Central's balance sheet is comprised of interest-bearing assets and liabilities with different maturity dates which expose Alberta Central to interest rate risk.

Monitoring exposures to interest rate fluctuations and their potential impacts on interest margins is accomplished through interest rate scenario testing of assets, liabilities and equity against the effects of multiple possible interest rate increases and decreases. Alberta Central's interest rate risk policy defines specific tolerances for changes in net interest income and net economic value. Alberta Central also uses gap analysis and simulation modeling to analyze the effects of interest rate fluctuations on net interest income. This forecasting is then used in developing defensive strategies, where appropriate, to ensure any variations are managed within established tolerance limits.

The extent of Alberta Central's exposure to interest rate changes as at December 31, 2009 is illustrated in the interest sensitivity table in note 2 to the audited financial statements.

Foreign Exchange Risk

Foreign exchange risk is the risk that Alberta Central's earnings will be negatively affected by currency fluctuations. Alberta Central's foreign exchange policies and procedures specifically identify the types of transactions permitted, authorizations, limits, and monitoring and reporting requirements. Alberta Central is authorized to hold up to US$5.0 million, £500,000 and €500,000 in excess of, or short of its foreign currency liabilities. Alberta Central's exposure to foreign exchange fluctuations is monitored on a daily basis and was within policy throughout the year. Alberta Central's net foreign exchange risk exposure is illustrated in note 2 to the audited financial statements.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Alberta Central's most significant other price risk relates to its holdings of asset-backed commercial paper.

Effective corporate governance is attained through the diligence of knowledgeable and competent directors and senior managers.

Liquidity Risk

Alberta Central is responsible for managing its own liquidity (including Alberta Central's portion of the *National Liquidity Fund*) as well as managing the liquidity pool for Alberta credit unions.

Liquidity risk is the risk of being unable to meet financial commitments through regular cash flows. Inability to meet financial commitments through cash flows can lead to losses, as Alberta Central could be forced to raise funds at high costs or sell assets at reduced prices. For Alberta Central this means ensuring that managed assets must be available to meet its own needs as well as the needs of Alberta credit unions. Alberta Central has established policies to ensure the company is able to generate sufficient funds to meet all of its financial commitments in a cost effective manner as they occur. These policies are annually reviewed and approved by the Board of Directors.

Alberta Central's liquidity management policies and procedures include:

- Specific limits for types, amounts, and duration of investments;
- Investment dealer restrictions;
- Approved sources of deposit funds;
- Approved sources for borrowing funds;
- Monitoring actual cash flows on a daily basis;
- Forecasting future cash flow requirements;
- Scenario testing and contingency planning;
- Daily monitoring of liquidity position; and
- Quarterly reports to Alberta Central's internal Asset Liability Committee and the Board of Directors.

Alberta Central's contractual maturities for financial liabilities are illustrated in note 2 to the audited financial statements.

Corporate Governance Risk

Corporate governance risk is the risk of financial and/or reputational impairment caused by lack of effectiveness of the Board of Directors and senior management. Alberta Central's organizational structure, policies and controls are designed to provide effective corporate governance. Effective corporate governance is attained through the diligence of knowledgeable and competent directors and senior managers.

Alberta Central's processes and procedures include:

- Director qualification and competency criteria;
- Thorough director orientation program;
- Ongoing director development and training;
- Regular Board and committee meetings, including a Governance Committee;
- Annual strategic planning process;
- Annual Board evaluation process; and
- Leadership development programs.

Operational Risk

Operational risk includes risk associated with the execution of the business process.

Operational risk is the risk of loss arising from ineffective or failed internal processes, technology, and human performance or from external events. Its impact can be financial loss, loss of reputation, loss of competitive position or regulatory censure. Due to the nature of operational risk, it cannot be completely eliminated. Alberta Central manages operational risk through established policies and procedures, including:

- Programs aimed at attraction and retention of qualified staff;
- Active performance management processes;
- Encouraging and facilitating employee skill development;
- Employee code of conduct certification process;
- Ongoing implementation of enterprise risk management processes including development of business continuity plans;
- Development of effective policies and procedures;
- Clearly delegated authorities and limits;
- Ongoing program of internal audit of effectiveness of operations; and
- Regular review of insurance coverage to ensure adequate protection of insurable assets.

Legal and Regulatory Risk

Legal and regulatory risk is the risk of loss due to failure to comply with legal and regulatory requirements.

Alberta Central's activities are subject to reviews and periodic on-site examinations by OSFI and Alberta Finance and Enterprise. All regulatory correspondence arising from regulatory examinations is reported to the Audit and Finance Committee and Board.

Alberta Central's Chief Compliance Officer maintains a legislative and regulatory compliance management system through which legislative and regulatory requirements are annually reviewed and reported on. The effectiveness of the controls and processes utilized by the Chief Compliance Officer are annually reviewed and reported to the Board by internal audit. New policies and procedures are developed to address legislative and regulatory requirements as appropriate. The Board of Directors receives an annual compliance report in which any deficiencies and corresponding action plans are identified.

Strategic Risk

Strategic risk is the risk to Alberta Central's earnings or capital arising from business decisions or flawed implementation of those decisions. This risk is a function of the compatibility between the organization's strategic goals, the business strategies developed and resources deployed to achieve those goals, and the quality of implementation.

Alberta Central employs a number of means in order to ensure that its strategic plans are appropriate and relevant including:

- Biannual Peer Group meetings which are a forum established by Alberta Central to gather input from credit unions of all sizes regarding their needs and future direction;
- Participation by representatives of Alberta Central in various system committees and professional associations to keep abreast of the current environment;
- Processes to gather strategic planning input from members of Alberta Central's senior management team;
- Joint management/Board strategic planning sessions which are conducted annually; and
- Feedback surveys which are conducted annually to gather input from the Board of Directors, credit union clients, and Alberta Central staff. Action plans are developed based on survey results as appropriate.

Electronic Payment Support

(left to right) Muriel Snyder, Lenka John, Sheila Breen, Jeannine Adams, Candice Willy, Jeanette Wirringer-Smith, Janet Light-Johnson, Karen Zeiler and Raquel Beltran.

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Credit Union Central Alberta Limited (Alberta Central) were prepared by management, who are responsible for the integrity and fairness of the data presented. Generally accepted accounting principles have been applied and management has exercised its judgment and made best estimates where deemed appropriate. Financial information appearing throughout this annual report is consistent with the financial statements.

Alberta Central's accounting and related financial controls are designed, and supporting procedures maintained, to provide reasonable assurance that the financial records are complete and accurate, and that assets are safeguarded against loss from unauthorized use or disposition. These supporting procedures include the careful selection and training of qualified staff, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines of business throughout Alberta Central. The system of internal controls is further supported by a professional staff of internal auditors who conduct periodic inspections of all aspects of Alberta Central's operations.

Both the federal and provincial regulators of financial institutions conduct examinations and make such enquiries into the affairs of Alberta Central as they may deem necessary to satisfy themselves that the provisions of the appropriate legislation are being duly observed and that Alberta Central is in sound financial condition.

The Audit and Finance Committee of the Board of Directors, composed entirely of outside Directors, reviews the financial statements before such financial statements are approved by the Board of Directors and submitted to the members of Alberta Central. The Committee reviews the audit plans of the internal and external auditors, the results of their audits and management's response to any identified recommendations for improvements in internal control. The Committee is also responsible for recommending the appointment of the external auditors to the Board of Directors.

PricewaterhouseCoopers LLP, the independent auditors, have examined the financial statements of Alberta Central in accordance with generally accepted auditing standards and have expressed their opinion upon completion of such examination in the following report to the members. The auditors have full access to, and meet periodically with, the Audit and Finance Committee to discuss audit matters.

Graham Wetter
President & CEO

Barry Johnson
Executive Vice-President

February 18, 2010

AUDITORS' REPORT

To the Members of Credit Union Central Alberta Limited

We have audited the consolidated balance sheet of **Credit Union Central Alberta Limited** as at December 31, 2009 and the consolidated statements of operations, members' equity and comprehensive income (loss) and cash flows for the year then ended. These consolidated financial statements are the responsibility of Credit Union Central Alberta Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Credit Union Central Alberta Limited as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

February 18, 2010

CONSOLIDATED BALANCE SHEET

As at December 31, ($000s)	2009	2008
ASSETS		
Cash and items in transit	**51,103**	91,238
Securities *(Note 3)*	**1,726,323**	1,456,089
Accounts receivable and other assets	**7,981**	4,312
Loans *(Note 4)*	**248,221**	416,998
Derivative financial assets *(Note 2)*	**20,427**	18,817
Future tax asset	**7,329**	9,576
Capital and intangible assets *(Note 5)*	**2,057**	2,619
Assets of discontinued operations *(Note 17)*	**3,680**	3,150
	2,067,121	2,002,799
LIABILITIES		
Accounts payable and accrued liabilities	**12,034**	10,394
Members' deposits *(Note 6)*	**1,798,503**	1,746,246
Loans and notes payable *(Note 7)*	**19,997**	14,984
Derivative financial liabilities *(Note 2)*	**20,427**	18,817
Liabilities of discontinued operations *(Note 17)*	**651**	1,251
	1,851,612	1,791,692
MEMBERS' EQUITY		
Common share capital *(Note 10)*	**181,708**	180,330
Retained earnings	**33,819**	28,551
Accumulated other comprehensive income (loss)	**(18)**	2,226
	215,509	211,107
	2,067,121	2,002,799

Commitments *(Note 14)*

See accompanying notes

Signed on behalf of the Board,

G. Penny Reeves, *Chair*

Ray Coates, *First Vice Chair*

CONSOLIDATED STATEMENT OF OPERATIONS

Years ended December 31, ($000s)	2009	2008
Financial income		
Interest on securities	**15,895**	54,706
Interest on loans	**10,310**	19,499
	26,205	74,205
Financial expenses		
Interest on members' deposits	**13,798**	54,700
Interest on loans and notes	**206**	1,818
	14,004	56,518
Financial margin	**12,201**	17,687
Recovery of (provision for) credit losses on commercial loans and mortgages	**79**	(110)
Gain on sale of securities *(Note 3)*	**2,657**	–
	14,937	17,577
Operating income *(Note 11)*	**23,021**	20,217
Operating expenses *(Note 11)*	**(23,466)**	(22,956)
Equity loss in Celero Solutions	**(5,329)**	(5,415)
EARNINGS BEFORE THE UNDER NOTED	**9,163**	**9,423**
Change in estimated fair value of ABCP *(Note 3)*	**–**	(65,350)
Earnings (loss) before income taxes	**9,163**	(55,927)
Income taxes *(Note 13)*		
Current income tax (recovery)	**(83)**	(2,163)
Future income tax expense (recovery)	**2,075**	(8,573)
	1,992	(10,736)
Net earnings (loss) for the year from continuing operations	**7,171**	(45,191)
Gain on sale of discontinued operations, net of income tax *(Note 17)*	**–**	5,813
Earnings from discontinued operations, net of income tax *(Note 17)*	**1,714**	1,582
NET EARNINGS (LOSS) FOR THE YEAR	**8,885**	**(37,796)**

See accompanying notes.

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

Years ended December 31, ($000s)	2009	2008
COMMON SHARE CAPITAL		
Balance, end of year *(Note 10)*	**181,708**	180,330
RETAINED EARNINGS		
Balance, beginning of year	**28,551**	71,768
Net earnings (loss) for the year	**8,885**	(37,796)
Share capital dividends *(Note 12)*	**(4,418)**	(6,747)
Recovery of income tax on share capital dividends	**801**	1,326
Balance, end of year	**33,819**	28,551
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Balance, beginning of year	**2,226**	119
Change in unrealized gains (losses) on available-for-sale securities, (net of income tax of $(689); 2008 – $647)	**(2,244)**	2,107
Balance, end of year	**(18)**	2,226
TOTAL MEMBERS' EQUITY	**215,509**	**211,107**
COMPREHENSIVE INCOME (LOSS)		
Net earnings (loss) for the year	**8,885**	(37,796)
Other comprehensive income (loss)	**(2,244)**	2,107
COMPREHENSIVE INCOME (LOSS)	**6,641**	**(35,689)**

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31, ($000s)	2009	2008
Cash resources provided by (used in):		
Operating activities		
Net earnings (loss) for the year	**8,885**	(37,796)
Items not affecting cash:		
Earnings from discontinued operations	**(1,714)**	(1,582)
Gain on sale of merchant acquiring business	**–**	(5,813)
Gain on sale of securities	**(2,657)**	–
Depreciation and amortization	**847**	966
Future income tax expense (recovery)	**2,075**	(8,741)
Adjustment to capital asset carrying values	**3**	637
Change in estimated fair value of ABCP	**–**	65,350
Provision for (recovery of) credit losses on commercial loans and mortgages	**(79)**	110
	7,360	13,131
Changes in non-cash operating components		
Accounts receivable and other assets	**(3,669)**	(434)
Accounts payable and accrued liabilities	**2,329**	(7,886)
	(1,340)	(8,320)
Cash flows from operating activities of continuing operations	**6,020**	4,811
Cash flows from operating activities of discontinued operations	**756**	1,268
	6,776	6,079
Financing activities		
Increase in members' deposits	**52,257**	258,567
Increase (decrease) in loans and notes payable	**5,013**	(124,692)
Issuance of share capital, net of redemptions	**1,378**	3,953
Payment of share capital dividends	**(4,418)**	(6,747)
Reduction of income tax on payment of share capital dividends	**801**	1,326
	55,031	132,407
Investing activities		
Increase in securities	**(274,085)**	(259,274)
Decrease in loans	**168,856**	145,531
Acquisition of capital and intangible assets	**(288)**	(963)
Proceeds from sale of merchant acquiring business	**–**	6,547
Proceeds from sale of securities	**3,575**	–
	(101,942)	(108,159)
(Decrease) increase in cash resources	**(40,135)**	30,327
Cash resources, beginning of year	**91,238**	60,911
Cash resources, end of year	**51,103**	91,238
Cash resources consist of:		
Cash	**45,724**	78,112
Cheques and other items in transit	**5,379**	13,126
	51,103	91,238
Supplemental information:		
Interest paid	**22,317**	59,401
Income taxes received	**(3,820)**	(247)

See accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 *($000s)*

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Credit Union Central Alberta Limited (Alberta Central) have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada including the accounting requirements of the Office of the Superintendent of Financial Institutions Canada (OSFI) and Alberta Finance and Enterprise. The financial statements include the accounts of Alberta Central and its proportionate share in the assets, liabilities, revenues and expenses of its joint ventures, and reflect the following policies, which conform, in all material respects to GAAP:

a) Changes in accounting policies

Effective January 1, 2009 Alberta Central adopted amendments to two standards in the Canadian Institute of Chartered Accountants (CICA) Handbook: Section 3862, *Financial Instruments – Disclosures* and Section 3855, *Financial Instruments – Recognition and Measurement*.

Section 3862 has been amended to provide further guidance for additional disclosures required over the fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements. Section 3855 has been amended to add guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category; to change the categories into which a debt instrument is required or permitted to be classified; to change the impairment model for held to maturity financial assets and to require the reversal of previously recognized impairment losses on available for sale financial assets in specified circumstances. Upon adoption of these amendments, no changes were made to previously reported balances. Additional disclosure required as a result of the adoption of these amendments is contained in note 2.

Effective January 1, 2009, Alberta Central adopted CICA Emerging Issues Committee (EIC) – 173 – *Credit Risk and Fair Value of Financial Assets and Financial Liabilities*. This EIC states that an entity must consider its own credit risk and that of the relevant counterparty when determining the fair value of financial assets and financial liabilities, including derivatives. Alberta Central estimates that the impact of EIC-173 is not material.

Effective January 1, 2009, Alberta Central retroactively adopted CICA Handbook Section 3064, *Goodwill and Intangible Assets*. Section 3064, which replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*, clarifies the criteria that must be met in order for an intangible asset to be recognized and includes internally developed intangible assets. Upon adoption of the new standard, Alberta Central reclassified software and development costs with a cost of $4,450 and accumulated amortization of $3,742 at December 31, 2008 from capital assets to intangible assets (Note 5).

b) Cash resources

Cash resources consist of cash and items in transit.

c) *Financial assets and liabilities*

All financial assets are classified as held for trading, available for sale, held to maturity or loans and receivables. All financial liabilities are classified as held for trading or other financial liabilities. Management determines the classification of its investments at initial recognition.

Held for trading

A financial asset or liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

OSFI has issued Guideline D-10 *Accounting for Financial Instruments Designated as Fair Value Option* which provides application guidance in designating a financial instrument as held for trading upon initial recognition. The guideline provides further recognition and measurement criteria and disclosure requirements that are consistent with international accounting standards. Subject to requirements under OSFI guidelines, Alberta Central may designate any financial instrument as held for trading on initial recognition if fair value can be reliably determined, irrespective of whether the instrument would otherwise qualify as held for trading.

All financial assets and liabilities classified or designated as held for trading are measured at fair value with changes in fair value (unrealized gains or losses) recognized in earnings. Any interest earned (or incurred) continues to be recognized on an accrual basis as interest income (or expense).

Available for sale

Available for sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Financial assets classified as available for sale are measured at fair value with changes in fair value (unrealized gains or losses) recognized in other comprehensive income rather than earnings. Changes in fair value are accumulated under a balance sheet category called accumulated other comprehensive income (loss). When unrealized gains and losses become realized through sale or impairment, they are reclassified from accumulated other comprehensive income (loss) to earnings. Any interest or dividends earned continue to be recognized on an accrual basis in interest income. Securities classified as available for sale which do not have a readily available market value are recorded at cost.

Held to maturity

Held to maturity financial assets have fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. If Alberta Central were to sell other than an insignificant amount of held to maturity assets, the entire category would be reclassified as available for sale. Held to maturity financial assets are measured at amortized cost. Any interest earned is recognized on an accrual basis as interest income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that Alberta Central intends to sell immediately or in the short term, or those designated as available for sale. Financial assets classified as loans and receivables are accounted for at amortized cost. Any interest earned is recognized on an accrual basis as interest income.

Other financial liabilities

Financial liabilities, except for derivatives, are measured at amortized cost unless classified as held-for-trading (or designated as such under the fair value option).

Fair values for financial instruments traded in an active market have been determined by the quoted market bid price. Where independent quoted market prices are not available, fair values have been determined based on the quoted market price for similar securities or through valuation techniques.

Transaction costs are expensed as incurred for financial instruments classified or designated as held for trading and are capitalized upon initial recognition for other financial instruments.

Accumulated other comprehensive income (loss) is included on the consolidated balance sheet as a separate component of members' equity and includes unrealized gains and losses on available for sale securities and where applicable, unrealized gains and losses on cash flow hedging instruments.

Alberta Central enters into various derivative contracts in the normal course of its business, including interest rate swaps, call options, index options and foreign exchange forwards. The instruments are used to meet the needs of member credit unions and as part of Alberta Central's asset/liability management. Other than credit risk, Alberta Central does not accept any net exposure to derivative contracts entered into on behalf of member credit unions as it enters into offsetting contracts with other financial institution counterparties. Derivative assets and liabilities are marked to market with net changes in value recorded in earnings.

Embedded derivatives

Embedded derivatives are components within a financial instrument or other contract that have features similar to a derivative. Embedded derivatives must be separated from the host instrument and accounted for separately if the economic risks and characteristics of the embedded derivative are not closely related to the economic characteristics and risks of the host instrument and the host instrument is not already measured at fair value with changes in fair value recognized in earnings. Where Alberta Central is required to separate an embedded derivative from its host instrument but is unable to measure the fair value of the embedded derivative separately, the entire instrument is treated as a held for trading financial instrument measured at fair value with changes in fair value measured in earnings.

d) Provision for losses

Alberta Central maintains an allowance for impairment to absorb losses in its loan portfolios. This allowance is determined by regular management reviews of each loan to identify

impairment. When a loan is classified as impaired, the accrual of interest is discontinued. A specific allowance is recorded to reduce the carrying amount of loans to their estimated realizable values. Estimated realizable amounts are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans. In addition, a non-specific allowance based on management's estimate and an overall evaluation of risk in the loan portfolio is made in recognition for losses incurred but not specifically identified on an item-by-item basis.

e) Equity investment

Alberta Central uses the equity method to account for an investment over which it exercises significant influence. Under this method, Alberta Central's share of the net earnings or loss of the investment is recorded in the consolidated statement of operations. The book value of the investment is adjusted for the share of earnings and distributions received from the investee. Investments are written down to recognize losses in the value of the investment that are other than temporary.

f) Intangible assets

Intangible assets consist of operating software and are amortized over periods ranging from three to five years.

g) Capital assets

Capital assets are depreciated on a straight-line basis over the following periods:

Equipment	3 years
Leasehold improvements	3 to 12 years
Furniture and fixtures	10 years

h) Income taxes

Alberta Central follows the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. The future tax assets and liabilities are calculated using enacted or substantively enacted tax rates that will be in effect when the differences are expected to reverse.

i) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. The areas with the greatest uncertainty are the valuation of asset backed commercial paper (ABCP), the fair value of financial instruments and the provision for credit losses. Actual results could differ from those estimates.

j) Disposal of long-lived assets and discontinued operations

Components of Alberta Central held for sale or sold during the year are reported as discontinued operations if the operations and cash flows of the components will be eliminated from the ongoing operations as a result of the disposal transaction and Alberta Central will not have continuing involvement in the operations of the components after the disposal transaction.

k) Future accounting changes

The CICA will transition Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS). Alberta Central will begin reporting under IFRS in 2011 with comparative data for 2010.

Alberta Central has commenced a three stage project to identify and evaluate the impact of the transition to IFRS on the financial statements and develop a plan to complete the transition. The project plan includes the following phases – scoping, design and build and implementation and review. The scoping phase is complete and the design and build phase is underway and expected to be completed by the second half of 2010. The impact of the transition to IFRS on Alberta Central's consolidated financial statements has not yet been determined. During 2010, Alberta Central will monitor changes to IFRS and adjust its transition plan as required.

2. FINANCIAL RISK MANAGEMENT

Alberta Central's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Alberta Central's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the company's financial performance.

Credit risk

Alberta Central takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for Alberta Central by failing to discharge an obligation. Credit exposures arise from investment activities that bring debt securities and derivatives into Alberta Central's securities and derivatives portfolios, lending activities that lead to loans, and deposits held with third party financial institutions. There is also credit risk in off-balance sheet financial instruments such as unfunded loan commitments and letters of credit.

Alberta Central, as the manager of the provincial credit union system liquidity pool, is responsible to develop an earning asset base while providing for borrowing needs of credit unions and their members. Alberta Central manages credit exposure on investment activities by adhering to an investment policy which identifies a basic standard of investment quality. Alberta Central's lending function focuses on the provision of loans to member credit unions and is closely integrated and coordinated with Alberta Central's liquidity management role. Alberta Central does provide commercial lending, however total commercial loans, leases, guarantees, investments in mortgage pools and investments in non-credit union borrowing members shall not exceed 150% of Alberta Central's members' equity as at the end of the previous fiscal year.

Alberta Central structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are subject to an annual or more frequent review by management, when considered necessary.

Alberta Central employs and is committed to a number of important principles to manage credit exposures, which include:

- a Credit Committee of the Board whose duties include approval of lending policies, establishment and delegation of loan limits and approval of larger credits;

- delegated lending authorities, which are clearly communicated to personnel engaged in the credit granting process, a defined approval process for loans in excess of those limits and the review of larger credits by senior management personnel prior to recommendation to the Credit Committee of the Board;
- employment of personnel engaged in credit granting who are qualified and experienced in lending;
- lending policies which are communicated to employees whose activities and responsibilities include credit granting and risk assessment;
- annual reviews of loans;
- independent reviews by Alberta Central's internal audit group, which includes reporting the results to senior management and Alberta Central's Audit and Finance Committee.

Alberta Central's fair value estimate of its holdings of ABCP represents management's best estimate of the current value of the instruments, taking into account changes in market rates and credit risk since their origination (Note 3). There have been no other significant changes in credit risk from the prior year.

The table below shows Alberta Central's total lending exposure to credit risk without taking account of any collateral held or other credit enhancements.

Credit Risk Exposure by Portfolio			**2009**	2008
	Outstanding	**Undrawn Commitments**	**Total Exposure**	Total Exposure
Credit unions	**77,699**	**1,108,453**	**1,186,152**	1,567,298
Commercial loans and mortgages	**152,905**	**70,790**	**223,695**	251,231
Cooperatives	**2,521**	**20,091**	**22,612**	21,701
Celero Solutions	**10,710**	**2,901**	**13,611**	32,111
Employee mortgages	**4,466**	**–**	**4,466**	5,004
	248,301	**1,202,235**	**1,450,536**	1,877,345

At December 31, 2009, Alberta Central had no loans that were past due or impaired (2008 – $nil).

Alberta Central's credit portfolio is 95.5% concentrated in Alberta and remains diversified across the industry sectors presented in the table below:

	2009		2008	
	Outstanding	**% of Total**	Outstanding	% of Total
Real estate	**104,328**	**42.0%**	93,497	22.5%
Finance and insurance	**83,767**	**33.7%**	244,842	58.7%
Hospitality	**30,222**	**12.2%**	39,113	9.4%
Health care	**17,845**	**7.2%**	17,222	4.1%
Technology	**10,710**	**4.3%**	21,804	5.2%
Retail	**1,429**	**0.6%**	586	0.1%
	248,301	**100.0%**	417,064	100.0%

Alberta Central's maximum exposure to credit risk, including undrawn commitments, without taking account of any collateral held or other credit enhancements is $3,246,603 (2008 – $3,431,406).

The following table shows details of Alberta Central's derivative financial instruments:

	2009				2008			
			Maturity				Maturity	
	Notional Amount	Fair Value	Less than 1 year	From 1 to 5 years	Notional Amount	Fair Value	Less than 1 year	From 1 to 5 years
Interest rate swaps	**260,300**	**7,481**	**2,141**	**5,340**	350,000	13,558	2,363	11,195
Call options	**15,000**	**–**	**–**	**–**	30,000	–	–	–
Index options	**77,410**	**12,946**	**4,500**	**8,446**	77,215	5,259	273	4,986
Foreign exchange forward	**–**	**–**	**–**	**–**	87,915	–	–	–
	352,710	**20,427**	**6,641**	**13,786**	545,130	18,817	2,636	16,181

The weighted average interest rate paid on interest rate swaps was 1.61% (2008 – nil). The weighted average interest rate received on interest rate swaps was 3.65% (2008 – 3.85%).

Liquidity risk

Liquidity risk is the risk that Alberta Central will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. Alberta Central's sources of funding are deposits from credit unions, its commercial paper program and lines of credit with Credit Union Central of Canada.

The majority of deposits from credit unions are required by regulation as Alberta Central is the prescribed liquidity manager for Alberta's credit unions. Alberta Central's bylaws require Alberta credit unions to maintain a minimum of one percent of their assets as share capital in Alberta Central. Credit unions are also required to maintain liquidity deposits at Alberta Central such that the total liquidity deposits and share capital with Alberta Central comprise nine percent of the credit union's liabilities.

Alberta Central participates with other Canadian credit union centrals in a national liquidity arrangement. Under the terms of the governing *National Liquidity Fund Agreement*, participating credit union centrals are required to keep two percent of their respective provincial system's assets in segregated accounts of liquid assets and a further four percent of their provincial system's assets in certain qualifying liquid assets. The securities may be used to provide liquidity to any one or more of the participating centrals.

Provincial legislation also requires Alberta Central to maintain six percent of credit union system assets in certain qualifying liquid assets. The required balance in qualifying liquid assets at December 31, 2009 was $1,047,522 (2008 – $989,387). Alberta Central's liquidity reserves, when measured by year end balances, were in excess of the requirements under the *National Liquidity Fund Agreement* and those under provincial legislation.

Contractual maturities for financial liabilities are shown in the table below:

	Within 3 months	From 3 months to 1 year	From 1 to 5 years	Greater than 5 years	Total
Members' deposits	1,444,295	343,724	10,484	–	1,798,503
Loans and notes payable	19,997	–	–	–	19,997
Derivative financial liabilities	4,500	2,141	13,786	–	20,427
Other liabilities	12,685	–	–	–	12,685
2009	1,481,477	345,865	24,270	–	1,851,612
2008	1,374,752	385,959	30,981	–	1,791,692

Market risk

Market risk is comprised of three types of risk: foreign exchange risk, interest rate risk and other price risk.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risks exist mainly as a result of the existence of financial assets, derivatives and financial liabilities denominated in foreign currencies. The risk associated with changing foreign currency values is managed under Alberta Central's *Investment Policy* which limits amounts that can be maintained in various currencies. At December 31, 2009, Alberta Central's net exposure to the US dollar was $(3,540) (2008 – $93) and to the UK Pound Sterling was $238 (2008 – $328).

Interest rate risk

Interest rate risk is the risk that net interest income will be adversely impacted by changes in market interest rates. This risk occurs as a result of disparity in the re-pricing of interest rate sensitive financial assets, derivatives and interest rate sensitive financial liabilities. Alberta Central uses gap analysis and simulation modeling to monitor and manage interest rate risk. Gap analysis measures the difference between the amount of assets and liabilities that re-price in a particular time period.

Alberta Central's interest rate sensitivity position as at December 31, 2009, as presented in the following tables is based upon the contractual re-pricing and maturity dates of assets and liabilities. The table shows the cumulative gaps at various intervals. As Alberta Central's holdings of ABCP were converted to floating rate notes (Note 3), the related assets have been grouped in the 'within three months' category, as the interest rates re-price during that time period.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument, including derivatives, will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Alberta Central's most significant other price risk relates to its holdings of ABCP (Note 3).

The following represents Alberta Central's market risk position:

Impact on market value of members' equity from :	**2009**	2008
Increase in interest rates of 100 basis points	**(3,162)**	(67)
Decrease in interest rates of 100 basis points	**3,272**	52

	Within 3 months	From 3 months to 1 year	From 1 to 5 years	Greater than 5 years	Non-Interest Sensitive	Total
Assets						
Cash and items in transit	41,489	–	–	–	9,614	51,103
Securities	1,517,821	215,079	73,838	–	(80,415)	1,726,323
Loans	136,899	35,671	72,280	3,452	(81)	248,221
Other assets	–	–	–	–	21,047	21,047
Derivative financial assets	–	–	–	–	20,427	20,427
	1,696,209	250,750	146,118	3,452	(29,408)	2,067,121
Weighted average interest rate	0.48%	1.27%	3.61%	7.01%	–	0.82%
Liabilities and Members' Equity						
Members' deposits	1,443,042	343,724	10,484	–	1,253	1,798,503
Loans and notes payable	19,993	–	–	–	4	19,997
Other liabilities	–	–	–	–	12,685	12,685
Derivative financial liabilities	–	–	–	–	20,427	20,427
Members' equity	181,708	–	–	–	33,801	215,509
	1,644,743	343,724	10,484	–	68,170	2,067,121
Weighted average interest rate	0.46%	0.39%	3.90%	–	–	0.45%
Total interest rate sensitivity gap	51,466	(92,974)	135,634	3,452	(97,578)	–
Cumulative interest rate sensitivity gap	51,466	(41,508)	94,126	97,578	–	–
2008	37,049	31,868	95,613	95,650	–	–

Capital management

Alberta Central's objectives when managing capital, which is a broader concept than members' equity on the face of the balance sheet, are:

- To comply with the capital requirements set by the regulators;
- To maintain a strong capital base to support the credit union system and the development of Alberta Central's business; and
- To maintain a consistently strong credit rating and investor confidence.

Alberta Central's capital levels are regulated under federal guidelines issued by OSFI. Federal regulation requires Alberta Central to maintain a prescribed borrowing multiple, the ratio of debt to regulatory capital. Provincial regulation overseen by Alberta Finance and Enterprise requires that Alberta Central maintain a prescribed borrowing multiple, the ratio of debt to regulatory capital. For purposes of these multiple calculations, borrowings are comprised of members' deposits, loans and notes payable and certain derivative financial liabilities.

For the year ended December 31, 2009, Alberta Central's capital levels exceeded both its regulatory and internal capital requirements.

Fair value of financial instruments

CICA Handbook section 3862, *Financial Instruments – Disclosures* was amended to require disclosures about the inputs to fair value measurements. Financial instruments must be classified within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of the hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Financial assets at fair value as at December 31, 2009:

	Level 1	Level 2	Level 3	Total
Cash and items in transit	**51,103**	–	–	**51,103**
Securities				
Held for trading	–	**20,949**	**118,870**	**139,819**
Available for sale	–	**1,370,040**	**5,170**	**1,375,210**
Derivative financial assets	–	**20,427**	–	**20,427**
	51,103	**1,411,416**	**124,040**	**1,586,559**
Financial liabilities at fair value as at December 31, 2009:				
Derivative financial liabilities	–	**20,427**	–	**20,427**

Level 3 securities consist of ABCP, the fair value of which has been estimated using a probability weighted discounted cash flow valuation model. The change in Level 3 securities and their fair value is disclosed in Note 3.

3. SECURITIES

	2009	2008
Government	**246,125**	27,775
Corporate	**1,452,089**	1,407,394
Venturer's capital in Celero Solutions *(Note 9)*	**5,620**	–
Credit Union Central of Canada	**6,033**	3,728
Mortgage pooling funds	**14,998**	2,192
	1,724,865	1,441,089
Accrued interest receivable	**1,458**	15,000
	1,726,323	1,456,089

	2009	2008
Securities designated as:		
Held for trading	**139,819**	132,666
Available for sale	**1,375,210**	1,320,894
Held to maturity	**196,177**	–
Loans and receivables	**15,117**	2,529
	1,726,323	1,456,089

In accordance with the *National Liquidity Fund Agreement*, investments in government and corporate securities with a fair value of $347,326 (2008 – $312,956) are maintained in a segregated safekeeping account (Note 2). The remaining balance of the qualifying liquid investments is held in government and corporate securities.

On December 31, 2009, Alberta Central sold its investment in The CUMIS Group Limited (CUMIS) for proceeds of $2,778, resulting in a gain on sale of $1,860. This investment was designated as available for sale.

The Canadian market for non-bank sponsored ABCP suffered a liquidity disruption in August 2007, following which a group of financial institutions and other parties agreed in principle under the Montreal Accord to a long-term proposal and interim agreement to exchange the affected ABCP for longer-term notes that are intended to match the maturities of the underlying assets. A Pan-Canadian Investors Committee, consisting of major investors including Alberta Central, was established to oversee the orderly restructuring of these instruments and retain legal and financial advisors to oversee the proposed restructuring process.

At the dates of acquisition, these short term investments were rated R1 (high) by Dominion Bond Rating Service (DBRS), the highest credit rating issued for commercial paper.

On January 12, 2009, the Superior Court of Ontario granted the plan implementation order and the plan for restructuring ABCP was implemented on January 21, 2009. Under the terms of the plan, all ABCP was restructured into three basic categories of replacement notes:

- ABCP backed solely by traditional assets (Exclusively Traditional Assets);
- ABCP backed by synthetic collateralized debt obligations or a combination of traditional assets and synthetic collateralized debt obligations (Synthetic and Hybrid Assets);
- ABCP backed, in whole or in part, by US sub-prime assets or home equity loans that the Committee expects may be subject to significant risk of suffering losses (Ineligible Assets).

Notes backed by Synthetic and Hybrid Assets were pooled with other investors into one of two newly created special purpose entities called Master Asset Vehicles (or MAV 1 and MAV 2). Under the plan, credit facilities used to fund collateral calls (Margin Funding Facilities) were established for each of MAV 1 and MAV 2 to further enhance the stability of the pooled assets by increasing the available additional collateral support which may potentially be called upon in the future. MAV 1 participants funded their own pro rata share of the margin funding facility while in the case of MAV 2, a third-party margin funding facility was established and funded by a group of third-party lenders. In addition, a senior margin funding facility has been arranged with the governments of Canada and the provinces of Ontario, Quebec and Alberta. Alberta Central is a MAV 2 participant.

Investors' holdings of ABCP backed by Exclusively Traditional Assets or Ineligible Assets were restructured separately as traditional asset (TA) tracking notes or ineligible asset (IA) tracking notes of a third Master Asset Vehicle (MAV 3).

The principal amount of ABCP in which Alberta Central had invested was restructured into the following replacement notes:

- $34,916 of MAV 3 TA tracking long term floating rate notes representing the Exclusively Traditional Assets, with a legal maturity ranging from five to thirty years (reflecting the longest maturity of the related underlying assets) and an expected maturity of approximately eight years. The notes earn interest based on the return generated by the underlying assets, net of expenses.

- $180,197 of MAV 2 long term floating rate notes with a maturity of approximately eight years, representing the Synthetic and Hybrid Assets. Alberta Central received replacement senior Class A-1 and Class A-2 and subordinated Class B, Class C and tracking notes with par values and coupon rates based on the three month Canadian Deposit Offering Rate (CDOR) as follows:

	Par Value	Coupon Rate
Class A-1	98,577	CDOR minus 50 basis points, payable quarterly
Class A-2	56,334	CDOR minus 50 basis points, payable quarterly
Class B	10,226	CDOR minus 50 basis points, payable after principal and interest has been paid on Class A-1 and A-2
Class C	5,107	CDOR plus 20 percent, payable after principal and interest has been paid on Class A-1 and A-2
Tracking notes	9,953	Return of underlying assets, net of expenses

- $6,979 of MAV 3 IA tracking long term floating rate notes representing Ineligible Assets with a legal maturity ranging from eighteen to thirty-one years (reflecting the longest maturity of the related underlying assets) and an expected maturity of approximately eight years. The notes earn interest based on the return generated by the underlying assets, net of expenses.

On January 21, 2009, DBRS announced the following ratings on the restructured replacement notes:

- A rating on Class A-1 and A-2 notes of MAV 1 and MAV 2
- AAA rating on MAV 3 notes in Classes 5A, 7A and 15A
- AA (high) rating on MAV 3 notes in Classes 10A and 12A
- A (low) rating on MAV 3 notes in Class 16A

The rated notes benefit from subordination provided by the B notes in each class. The MAV 2 Class B and C notes and remaining MAV 3 notes were not rated by DBRS. On August 11, 2009, the rating for the MAV 2 Class A-2 notes was downgraded from A to BBB (low) under a negative watch by DBRS. Subsequent to year end, DBRS removed the MAV 2 Class A notes from under review with negative implications and confirmed them at BBB (low).

On November 3, 2009, Alberta Central sold a MAV 2 tracking note for proceeds and gain on sale of $797.

The replacement notes are classified as held for trading financial assets and are carried at fair value. There are currently no market quotations available for the replacement notes. There have been a limited number of trades in the replacement notes but Alberta Central does not consider them to be of sufficient volume or value to constitute an active market.

Alberta Central has investments totaling $22,793 in two bank-sponsored ABCP investments which suffered a liquidity disruption and were restructuring during 2008. The restructuring plans were generally similar to the non-bank sponsored ABCP plans with the assets restructured into long-term floating rate notes to match the maturity of the underlying assets. The notes mature in approximately five to eight years and bear interest at rates ranging from the one month CDOR to the one month CDOR plus 35 basis points. Upon restructuring, one of the notes was rated AA by DBRS while the other note was unrated. In July 2009, the rated note was downgraded from AA to A (low) by DBRS.

In the absence of an active market for bank and non-bank sponsored ABCP, and consistent with the valuation approach in the prior year, Alberta Central has estimated the fair value of these assets using a discounted cash flow valuation model incorporating management's best estimates of credit risk attributable to underlying assets, market interest rates and other factors that a market participant would consider for such investments. The discount rates underlying the cash flow valuation are based on appropriate forward-credit indices, adjusted for estimated premiums to reflect the expected lack of liquidity in the paper. Note coupon rates and maturities are based on the anticipated terms of the paper. Estimated fair values vary by type of note held and are subject to significant measurement uncertainty, both by type of note and in aggregate.

At December 31, 2009, Alberta Central held the following investments in bank and non-bank sponsored ABCP with fair values as indicated:

	DBRS Credit Rating	Face Value Received Upon Restructuring	Face Value Sold and Principal Repayment	Face Value as at December 31, 2009
Non-bank sponsored ABCP				
MAV 2 notes:				
Class A-1	A	98,577	(256)	98,321
Class A-2	BBB (low)	56,334	–	56,334
Class B	–	10,226	–	10,226
Class C	–	5,107	–	5,107
Tracking notes	–	9,953	(1,938)	8,015
		180,197	(2,194)	178,003
MAV 3 tracking notes:				
Traditional asset				
Rated	AAA and AA (high)	27,482	(19,733)	7,749
Unrated	–	7,434	(2,256)	5,178
Ineligible asset	–	6,979	(1,296)	5,683
		41,895	(23,285)	18,610
Non-bank sponsored ABCP		222,092	(25,479)	196,613
Bank Sponsored ABCP				
Rated	A (low)	13,204	–	13,204
Unrated	–	9,589	–	9,589
Bank sponsored ABCP		22,793	–	22,793
Total ABCP		244,885	(25,479)	219,406

Face value as at December 31, 2009	219,406
Accrued interest	2,261
Fair value adjustment as at December 31, 2009	(97,627)
Fair value as at December 31, 2009	**124,040**

As the fair value of ABCP has been estimated using a discounted cash flow model based on the assumptions noted above, it is reasonably possible that changes in conditions in the near term could require a material change in the estimated fair value. An increase of 25 basis points in the discount rate would result in a $2,603 decrease in the fair value of ABCP and a decrease of 25 basis points would result in a $2,663 increase in the fair value of ABCP.

4. LOANS

	2009	2008
Credit unions	**77,699**	216,462
Cooperatives	**2,521**	1,220
Commercial loans and mortgages	**152,905**	172,574
Celero Solutions *(Note 9)*	**10,710**	21,804
Employee mortgages	**4,466**	5,004
	248,301	417,064
Less: non-specific allowance on commercial loans and mortgages	**(777)**	(865)
	247,524	416,199
Accrued interest receivable	**697**	799
	248,221	416,998

5. CAPITAL AND INTANGIBLE ASSETS

			2009	2008
Capital assets	**Cost**	**Accumulated Depreciation/ Amortization**	**Net book value**	Net book value
Equipment	**4,397**	**4,296**	**101**	226
Leasehold improvements	**5,468**	**4,685**	**783**	964
Furniture and fixtures	**3,073**	**2,478**	**595**	721
	12,938	**11,459**	**1,479**	1,911
Intangible assets				
Operating software	**4,596**	**4,018**	**578**	708
	17,534	**15,477**	**2,057**	2,619

6. MEMBERS' DEPOSITS

	2009	2008
Current accounts and demand deposits	**197,568**	178,071
Money market deposits	**330,038**	403,547
Statutory liquidity deposits	**1,269,644**	1,155,080
	1,797,250	1,736,698
Accrued interest payable	**1,253**	9,548
	1,798,503	1,746,246

7. LOANS AND NOTES PAYABLE

	2009	2008
Commercial paper	**19,997**	14,984

Alberta Central is authorized to issue commercial paper to a maximum of $250,000.

Alberta Central has entered into an agreement with Credit Union Central of Canada (CUCC) for a line of credit to a maximum of $100,000 (2008 – $50,000). Pursuant to the terms of the *National Liquidity Fund Agreement*, Alberta Central is obliged to provide a general security interest over Alberta Central's property on demand by Credit Union Central of Canada to secure this line of credit. Amounts are due on demand and bear interest at rates established by the Credit Union

Central of Canada Board of Directors. At December 31, 2009, the rate was the bank prime rate less two percent per annum. At December 31, 2009 there were no draws on the line of credit with CUCC (2008 – $nil).

8. JOINT VENTURE

Alberta Central has a 50% interest in Credit Union Payment Services, a payment processing joint venture. Alberta Central's proportionate share of its investment in the Credit Union Payment Services joint venture before inter-entity eliminations is summarized below:

	2009	2008
Balance sheet:		
Current assets	**1,095**	1,205
Capital and intangible assets	**448**	580
	1,543	1,785
Current liabilities	**673**	1,732
Equity	**870**	53
	1,543	1,785
Statement of earnings:		
Operating income	**8,796**	7,964
Operating expenses	**7,926**	7,911
Earnings for the year	**870**	53
Statement of cash flows:		
Cash flows resulting from (used in):		
Operating activities	**798**	271
Financing activities	**183**	(608)
Investing activities	**(111)**	(353)
Increase (decrease) in cash resources	**870**	(690)

9. EQUITY INVESTMENT

Alberta Central has a 31.4% (2008 – 41.9%) interest in Celero Solutions (Celero) which is a joint venture of Alberta Central and various other cooperative entities for the purpose of providing information technology services. While Celero is legally structured as a joint venture, it does not qualify as such for accounting purposes. Accordingly, Alberta Central accounts for its investment in Celero on the equity basis. Prior to October 1, 2007, Alberta Central had a 33.4% direct and an 8.5% indirect interest in Celero through its participation in the CUETS joint venture (Note 17). Under the terms of the *Celero Solutions Joint Venture Agreement*, a re-determination of ownership interests was conducted in 2008 and Alberta Central's ownership interest was reduced to 31.4% effective January 2009.

Alberta Central is liable in proportion to its indirect interest in Celero's 49% subsidiary Everlink Payment Services Inc. (Everlink), for all of Everlink's covenants and obligations under an *Asset Purchase Agreement* and ancillary agreements relating to Everlink's acquisition of switching assets. These covenants and obligations expire in 2012 and 2013 respectively. Alberta Central

has entered into financing agreements with Everlink, consisting of a line of credit to a maximum of $2,000 and an authorized overdraft facility to a maximum of $6,275 (2008 – $6,375) Canadian and $100 US. Celero has provided a guarantee on these agreements in proportion to its interest in Everlink. At December 31, 2009 there were no draws against the line of credit or the authorized overdraft facility.

Celero has entered a *Software License Agreement* in respect of a new banking platform for Celero's credit union clients under which Celero is committed to pay a total of $18,102 in software maintenance fees over the next six years. Celero has entered into agreements with credit unions to recover these costs through operating fees over the term of the agreements. Pursuant to various addendums to the *Software License Agreement*, Celero is committed to pay $8,934 in ancillary product maintenance and support fees over the next six years.

Celero has entered an agreement with a third party to manage its mainframe, mid-range and data centre support operations and to upgrade its infrastructure under which Celero is committed to pay $11,559 over the next five years. Celero also has obligations under various agreements for premise lease and occupancy related services, equipment, licensing, maintenance and professional fees totaling $7,193 over the next five years.

Alberta Central is liable in proportion to its ownership interest in Celero, for all of Celero's covenants and obligations under these agreements.

Celero's operations are funded by capital and operating contributions and loans from its owners (Note 4) bearing interest at the prime rate. During the year, loans to Celero of $5,620 were repaid and were used to fund venturer's capital contributions of $5,620 (Note 3). Under a *Joint Venture Lender Agreement* dated December 17, 2007 Celero has a line of credit facility to a maximum of $22,500 with interest payable monthly at the Canadian prime rate. Under the terms of the same agreement, Celero also has a $5,000 overdraft facility with Alberta Central bearing interest at the Canadian prime rate. To December 31, 2009, Celero had drawn $16,200 (2008 – $11,700) on the line of credit facility and $3,003 (2008 – $3,673) on the overdraft facility. The facilities are secured by a *General Security Agreement* over all assets of Celero. All liabilities of Celero remain a liability of each owner in proportion to its ownership interest.

Alberta Central charged Celero $2,904 (2008 – $3,921) for various administrative and facilities services. Celero charged Alberta Central $921 (2008 – $843) for information technology services. At December 31, 2009, Alberta Central had a receivable of $145 from Celero (2008 – a payable of $93) in respect of operating activities.

Alberta Central's investment in Celero Solutions, excluding amounts due to/from Celero for ongoing operations, is included in the following balance sheet categories:

	2009	2008
Securities *(Note 3)*	**5,620**	–
Loans *(Note 4)*	**10,710**	21,804
Accounts payable and accrued liabilities	**(5,065)**	(6,338)

10. COMMON SHARE CAPITAL

Authorized – unlimited number at $5 per share.

Issued and outstanding – 36,341,685 shares (2008 – 36,066,060).

	2009	2008
Balance, beginning of the year	**180,330**	176,377
Issued	**1,382**	4,153
Redeemed	**(4)**	(200)
Balance, end of the year	**181,708**	180,330

Alberta Central's bylaws require member credit unions to maintain common share capital in Alberta Central in an amount equal to one percent of each credit union's assets as at the end of the credit union's most recent fiscal year.

11. OPERATING INCOME AND OPERATING EXPENSES

	2009	2008
Operating income		
Financial services	**12,558**	12,106
Member dues	**5,732**	3,684
Other	**4,731**	4,427
	23,021	20,217
Operating expenses		
Personnel	**11,113**	10,290
Property and equipment	**4,591**	4,858
Administration and other	**5,163**	5,103
Organization	**2,599**	2,705
	23,466	22,956

12. DIVIDENDS

Share capital dividends of $4,418 (2008 – $6,747) were calculated using members' minimum monthly common share capital account balances and the average monthly prime interest rate (2008 – average monthly prime interest rate less one percent).

13. INCOME TAXES

The combined federal and provincial substantively enacted income tax rate applicable to Alberta Central is 18.2% (2008 – 19.6%). Income taxes calculated at substantively enacted rates differ from the provision included in the statement of earnings for the following reasons:

	2009	2008
Income taxes (recovery) at substantively enacted rates	**1,666**	(10,938)
Increase in income taxes (recovery) resulting from:		
Non taxable amounts	**(120)**	–
Impact of rate changes on temporary differences	**638**	–
Other	**(192)**	202
Provision for (recovery of) income taxes	**1,992**	(10,736)

14. COMMITMENTS

Alberta Central is party to financial instruments with off-balance sheet risk that, in the normal course of operations, are used to meet its own and its credit union members' financial needs. These instruments include commitments to extend credit, standby letters of credit and financial guarantees. The amounts in the table below indicate the notional amounts of these off-balance sheet arrangements.

	2009	2008
Financial instruments whose contract amounts could represent credit risk:		
Commitments to extend credit	**1,202,235**	1,460,281
Standby letters of credit and financial guarantees	**11,315**	10,308

The average term of commitments is one year. In the normal course of operations, these commitments may expire without being utilized.

During the year Alberta Central extended its premises lease for a period of ten years, commencing on January 1, 2012 to December 31, 2021. The future minimum payments under the lease for each of the next five years and thereafter are as follows:

2010	2,950
2011	2,950
2012	2,795
2013	2,795
2014	2,795
2015 and thereafter	20,562
	34,847

15. PENSION PLANS

Alberta Central contributes annually to a defined contribution pension plan for employees. The annual pension expense of $416 (2008 – $353) is included in personnel expense.

16. DIRECTORS' REMUNERATION

	2009	2008
Remuneration paid to directors	**114**	128
Expenses paid on behalf of directors	**133**	145
	247	273

17. DISCONTINUED OPERATIONS

Prior to October 1, 2007, Alberta Central had a 50% interest in CU Electronic Transaction Services (CUETS), a credit card processing entity. Effective October 1, 2007, the net assets related to the retail credit card business of the CU Electronic Transaction Services joint venture were sold to CUETS Financial Ltd., a wholly owned subsidiary of MBNA Canada Bank for an after-tax gain of $56,664. Effective January 1, 2008, the net assets related to the merchant acquiring business were sold to First Data Corporation for an after-tax gain of $5,813. Under the terms of various non-compete agreements, the discontinued operations are expected to generate revenue until 2011.

The related assets and liabilities have been reported as assets of discontinued operations and liabilities of discontinued operations on the consolidated balance sheet. The related results have been presented as discontinued operations in the consolidated statement of operations and cash flows for the periods presented.

Alberta Central's proportionate share of the carrying values of the net assets related to the discontinued operations after inter-entity eliminations is summarized below:

	2009	2008
Cash	**876**	1,139
Accounts receivable and other assets	**33**	42
Investments	**2,771**	1,969
	3,680	3,150
Accounts payable and accrued liabilities	**651**	1,251
Undistributed equity	**3,029**	1,899
	3,680	3,150

The earnings from discontinued operations are summarized as follows:

	2009	2008
Revenue	**1,247**	2,329
Expenses	**36**	362
Earnings from discontinued operations before income tax	**1,211**	1,967
Income tax (recovery) expense	**(503)**	385
	1,714	1,582

18. COMPARATIVE FIGURES

Certain of the 2008 comparative figures have been reclassified to conform to the current year's presentation.

19. PROPOSED MERGER

During 2008 Alberta Central, SaskCentral and Credit Union Central of Manitoba signed a *Memorandum of Understanding* committing the three centrals to the joint development of a business strategy for a new merged prairie central. *The Prairie Central Business Strategy*, which was developed during the year, provides a conceptual framework for the merger which is proposed to take effect January 1, 2011. The merger of the three centrals must be approved by the membership of each central and is subject to regulatory approval.

ALBERTA CENTRAL'S BOARD AND MANAGEMENT TEAM

BOARD OF DIRECTORS

REGION A

Penny Reeves
Chair

Eric Dillon
Fifth Executive Committee Member

Ian Glassford

Randy Harper

Gail Stepanik-Keber

REGION B

Gary Cerantola

Paul Kelly

NORTH REGION

Ray Coates
First Vice Chair

Garth Yeomans
Secretary

Dave Munro

SOUTH REGION

Jack Paterson
Second Vice Chair

Marcel Chorel

Bob Permann

MANAGEMENT TEAM

Graham Wetter
President & CEO

Barry Johnson
Executive Vice President

Duane Blahun
Vice President, Payment Services

Anne Gillespie
Vice President, Financial Reporting & Control

Paul Rossmann
Vice President, Strategy & Corporate Development

Dick Williams
Vice President, Financial Services

Ray Belot
Assistant Vice President, Audit Services

Susan Borrows
Assistant Vice President, Human Resources

Peter Davis
Assistant Vice President, Government Relations

Pat Dolan
Assistant Vice President, Treasury

Greg Feniak
Assistant Vice President, Relationship Management & Sales

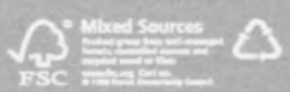
Chris Laxton
Assistant Vice President, Risk Management

Francine Soko
Assistant Vice President, Operations

Corporate Secretary:
Susan Greenaway

350N, 8500 Macleod Trail SE
Calgary, Alberta T2H 2N1

www.albertacentral.com



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